

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)	
)	
IRONING TABLES AND CERTAIN)	Investigation No.:
PARTS THEREOF FROM CHINA)	731-TA-1047
)	(Preliminary)

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P R O C E E D I N G S

(9:30 a.m.)

MR. CARPENTER: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping dumping investigation number 731-TA-1047, concerning imports of ironing tables from China.

My name is Robert Carpenter. I am the commission's Director of Investigations and I will preside at this conference. Among those present from the commission staff are from my far right:

Bonnie Noreen, the supervisory investigator;
Gail Burns, the investigator.

On my left, Rhonda Hughes, the attorney advisor;

John Benedetto, the economist;
Mary Peterson, the accountant, and
Josephine Spalding the industry analyst.

The purpose of this conference is to allow you to present your views with respect to the subject matter of the investigation in order to assist the commission in determining whether there is a reasonable indication that a U.S. industry is materially injured or threatened with injury by reason of imports of the subject merchandise.

1 We will start the conference with
2 five-minute opening statements, beginning with the
3 petitioners. Actually, I understand that petitioners
4 have waived that right, so we will begin the
5 conference with a five-minute opening --

6 Mr. Ikenson?

7 (Pause.)

8 MR. CARPENTER: Okay. We'll be happy to
9 allow that. We'll begin with Mr. Ikenson, then.

10 Following the opening statements, each side
11 will be given one hour for their direct testimony.
12 The staff will ask questions of each panel after their
13 presentations, but no questions from opposing parties
14 will be permitted.

15 At the conclusion of statements from both
16 sides, each side will be given ten minutes to rebut
17 opposing statements and make concluding remarks.

18 Speakers will not be sworn in. However, you
19 are reminded of the applicability of 18 U.S.C. 1001 to
20 false or misleading statements and to the fact that
21 the record of this proceeding may be subject to court
22 review if there is an appeal.

23 Additionally, speakers are reminded not to
24 refer in their remarks to business proprietary
25 information and to speak directly into the

1 microphones.

2 Finally, we ask that you state your name and
3 affiliation for the record before beginning your
4 presentation.

5 Are there any questions?

6 (No response.)

7 MR. CARPENTER: If not, welcome,
8 Mr. Ikenson. Please proceed with your opening
9 statement.

10 MR. IKENSON: Thank you, Mr. Chairman, and
11 members of the commission staff. I am Frederick
12 Ikenson, counsel for Home Products International,
13 which is also referred to as HPI. HPI is the last
14 remaining U.S. producer of floor standing metal top
15 ironing tables and, of course, is the petitioner in
16 this antidumping proceeding.

17 The issue, of course, in the preliminary
18 investigation is whether there is a reasonable
19 indication that a U.S. industry is materially injured
20 or threatened with material injury by reason of
21 imports of subject ironing tables from the People's
22 Republic of China.

23 Consideration of the relevant statutory
24 factors of import volume and growth, price effects and
25 industry impact compels an affirmative determination.

1 The volume of imports and the increase in import
2 volume are significant, both in absolute terms and
3 relative to production or consumption.

4 In 2000, Chinese imports at approximately
5 3 percent of the market were barely on the radar
6 screen. By the end of this year, they are expected to
7 approach 50 percent of the market.

8 The effect of subject imports on domestic
9 product prices has been severe. There has been
10 significant price underselling by imports and there
11 has been significant price depression. Our witnesses
12 today will elaborate on those issues.

13 The impact on the domestic industry has
14 likewise been substantially negative as virtually all
15 the major indicators of business performance are
16 showing significant declines and the pain is being
17 spread over the industry's management, investors and
18 workforce.

19 Finally, as bad as conditions currently are
20 for the ironing table industry, in the absence of
21 remedial measures taken under the antidumping law,
22 conditions will only worsen. The threat of material
23 injury is real and palpable.

24 Thank you.

25 MR. CARPENTER: Thank you, Mr. Ikenson.

1 Mr. Perry and Mr. McGrath, if you would come
2 forward?

3 Thank you.

4 MR. PERRY: My name is William Perry of the
5 law firm Garvey Schubert & Barer and I'm here
6 representing some respondent importers in the case.
7 We are going to make several points. One of the most
8 important is Whitney Designs.

9 The petitioner alleges that Whitney Designs
10 left the United States because of low priced Chinese
11 imports. That is simply not true. Whitney Designs
12 closed because HPI aggressively drove the prices into
13 the ground, so low that we've even wondered whether it
14 was predatory, whether their real reason was to drive
15 the prices as low as possible, drive Whitney Designs
16 out of the country, because they certainly
17 accomplished that.

18 James Glenn from Whitney Designs will
19 testimony to the emotional situation he faced as he
20 had to lay off the employees of his plant because of
21 HPI's aggressive pricing, which drove it down into the
22 ground. We will be handing out this chart which will
23 show the tremendous drop in prices between 1998 and
24 2000 before the Chinese ever showed up. Those
25 aggressive prices were by HPI, not the Chinese. Now

1 the problem is since HPI has driven the prices into
2 the ground they can't get back their profits. In
3 fact, it's a question. We have either a question of
4 either predatory pricing, did they drive the prices
5 into the ground and now what they're doing is bringing
6 a dumping case to recoup and create their monopoly
7 situation or whether it's just because they were
8 competitively pricing, either way, it's HPI who led
9 the pricing down into the ground.

10 The other point is the timing here. Whitney
11 made the decision to close in 2001 before the Chinese
12 imports showed up in 2002, not because they could get
13 low priced imports, they had to close anyway because
14 HPI had driven the prices so low.

15 The other problem that HPI faces is K-Mart.
16 Their largest customer, their most significant
17 customer is K-Mart and, as you know, K-Mart is into
18 reorganization, if not bankruptcy.

19 We also have the problem that since HPI has
20 driven the prices into the ground, we believe that
21 there may even be a saturated market. They have made
22 the prices so low that everybody has picked up an
23 ironing board.

24 We'll be talking about bundling, too, that
25 for a number of customers the ironing tables are sold

1 with different products, therefore, it's very
2 difficult to do price comparisons.

3 The other thing, as you know, is that there
4 is an issue of upscale. Right now, the ironing table
5 market is interesting because people are starting to
6 go upscale. And who is importing from China, the
7 upscale imports? HPI. HPI imports upscale ironing
8 tables from China, from, frankly, one of the same
9 suppliers as Whitney Designs.

10 So, again, we will be able to establish that
11 there is clear and convincing evidence of no material
12 injury and no threat of material injury and no
13 likelihood that this situation is going to change into
14 final.

15 Matt?

16 MR. MCGRATH: Ladies and gentlemen, I'm Matt
17 McGrath of Barnes, Richardson & Colburn, and I'm here
18 today representing Target Corporation, who purchases
19 ironing boards and tables. We will discuss a few
20 major points that I want to quickly mention at the
21 outset here.

22 First, we will certainly be emphasizing and
23 elaborating further on some of the points that the
24 other respondents will be making with regard to HPI's
25 presence in the market.

1 Secondly, we're going to take a closer look
2 at and try to describe and clarify for you a little
3 bit better what the so-called reverse auction process
4 is, which is another form of electronic sourcing which
5 Target utilizes, along with various other mechanisms,
6 to obtain the best quality product that they can
7 obtain to get the highest value and value added
8 product that they can obtain in order to meet the
9 needs of their guests and meet the needs of the market
10 as they perceive them.

11 And, third, last but not least, I think the
12 commission and staff should take a very close look at
13 the situation with this industry. Seldom does an
14 industry come before you -- often, an industry will
15 come before you saying we're the last remaining
16 survivor, everyone else has been run out of the
17 market, but seldom do industries come before the
18 commission asking for assistance with this level of
19 success, this level of profitability. Take a close,
20 hard look at that, we invite you, and also take a look
21 at the scope of what the industry is here. There is
22 more than just ironing tables at stake, there are also
23 some patent protected products which we think have a
24 very favorable impact on the fortunes of the industry.

25 We think that all of the factors together

1 will indicate there's no reasonable indication of
2 injury and that this case is one that ought to be
3 dismissed now rather than forcing the market into nine
4 months of pain and investigation that's totally
5 unnecessary.

6 Thank you.

7 MR. CARPENTER: Thank you, gentlemen.

8 If the petitioners now will come forward for
9 their presentation?

10 Please proceed when you're reading.

11 MR. IKENSON: Thank you, again,
12 Mr. Carpenter. I would like to introduce the people
13 accompanying me today.

14 At my immediate right is Peter Grave's,
15 HPI's Senior Vice President of Sales and marketing.

16 At this right is Professor Michael Bradley
17 of the Department of Economics of the George
18 Washington University.

19 At the far right is Charles Avery, Senior
20 Vice President of Finance for HPI.

21 Mr. Avery will be available to respond to
22 questions. You will hear direct testimony from
23 Mr. Graves and Professor Bradley.

24 I think I would like to ask Professor
25 Bradley to offer some introductory remarks and then

1 Mr. Graves will provide you with insights into the
2 market and this particular industry and subsequently
3 Professor Bradley again will discuss the issue of
4 causation.

5 So with that, I would turn it over to
6 Professor Bradley.

7 MR. BRADLEY: My name is Michael D. Bradley
8 and I'm a professor of economics at George Washington
9 University. When Fred Ikenson asked me to look at the
10 facts of this case, three main things jumped out as,
11 I think, helping us understand what went on with the
12 ironing table market and industry.

13 The first factor is the relative simplicity
14 of the product. It's not exactly a commodity product,
15 but a product that's relatively low tech, relatively
16 easily produced and relatively standard. That's
17 factor number one.

18 Factor number two is the structure of the
19 market. Generally speaking we have a small number of
20 suppliers, demand is concentrated in a small number of
21 large buyers at the wholesale level. That allows us
22 to observe the behavior of both sides of the markets
23 pretty easily.

24 In addition, prices tend to be set in what
25 you could call lumpy discrete events, that there are

1 specific events in which prices for a long period of
2 time are set. Contracts aren't signed, but prices are
3 set. That's the second factor.

4 The third factor is really the relatively
5 paucity or lack of what we call exogenous events,
6 other factors occurring during the period of injury
7 which would confuse or confound our understanding.

8 So with that in mind, I would suggest there
9 are basically five points to think about in
10 understanding. I guess I will try to make this sort
11 of like a moving picture.

12 Prior to 2002, the U.S. ironing table market
13 was stable with relatively low import penetration and
14 relatively stable prices. Market shares did not
15 change dramatically, the players were in the market,
16 both on the supply and demand side. So we had a
17 period of relative stability prior to 2002.

18 Starting in 2002 and into 2003, we have
19 observed a rapid increase in low priced imports in the
20 U.S. That's just a fact.

21 Point three is in 2002 and 2003, the
22 domestic industry has suffered from lost sales, low
23 prices, and lost revenue. Despite the fact that the
24 period of investigation starts earlier, we want to
25 draw your attention to the fact that really injury has

1 only occurred essentially in 2002 and currently in
2 2003 and anticipated in 2004. That's because prior to
3 this period there really wasn't a large import
4 presence, so it's only with the presence of Chinese
5 imports in 2002 and then into 2003 that injury has
6 occurred.

7 In addition, as Mr. Graves and I will
8 explain in a couple of minutes, the effect of injury
9 occurs with a lag that, given the nature of the
10 pricing mechanism, the imports come in, the prices are
11 set, but the actual sales don't take place for another
12 four, six, seven months, so the actual injury in terms
13 of showing up in the indicators of lost sales or lost
14 revenues will not be when the prices are lower, but a
15 few months later. That's why injury shows up more in,
16 say, late 2002, 2003 and into 2004.

17 Next, there really is no other cause for the
18 injury in 2002 and 2003 other than Chinese imports.
19 That really was the factor that changed, comparing the
20 pre-2002 period with the post.

21 And, lastly, the threat of injury is very
22 severe, partly because of the lag mechanisms that
23 we'll explain and partly because imports haven't
24 stopped coming into the country, they're still rising,
25 still coming in at low prices. HPI faces a very

1 serious future where if things continue as they are,
2 without exaggeration the existence of their productive
3 facilities in the U.S. in is question.

4 So that's basically the points that we'd
5 like to emphasize today.

6 Next, Mr. Graves is going to relate what
7 actually happened over the period of investigation and
8 what they have observed from his position at HPI and
9 then I'll come back and talk a little bit about
10 causality.

11 MR. GRAVES: Good morning. I am Peter
12 Graves. I am the Senior VP of Sales and Marketing for
13 Home Products International. I've been with our
14 company 22 years, the last seven of which I've held
15 the position of chief sales and marketing officer for,
16 among other things, the ironing table segment. We
17 acquired Seymour Housewares, an ironing table producer
18 for many years, in 1997.

19 We've been manufacturing ironing tables in
20 Seymour, Indiana since 1947. A couple of notoriety
21 points for Seymour Indiana, it's, of course, known for
22 its ironing table production and it's also the
23 hometown of John Cougar Mellencamp, for those of you
24 who know the popular singer, and when he says he was
25 born in a small town, he's talking about Seymour,

1 Indiana, a town about an hour south of Indianapolis in
2 the heartland.

3 During World War II, our facility was
4 involved in military production, some artillery
5 components. Post-war, like many other metal
6 fabrication companies, we transitioned into a consumer
7 product. Our product portfolio is very consistent
8 with other companies, metal bed frames, step stools,
9 ironing tables. Over the years, a lot of the other
10 ironing table companies either exited the business or
11 were acquired. We made some acquisitions, other
12 competitors made acquisitions.

13 The ironing table market is very mature,
14 it's a slow growth category. It's a very capital
15 intensive business, so no new manufacturers are
16 entering the segment.

17 To remain viable in this business, a
18 domestic producer would be required to make consistent
19 capital investments for machinery, for repair of
20 equipment, for new products, so it's an expensive
21 proposition to be in the ironing table business in the
22 U.S. and, again, it wasn't attracting a lot of new
23 suppliers, so by the 1980s, there were really just two
24 remaining ironing table producers, us and our worthy
25 competitor, Whitney Designs Trent.

1 Our facility in Seymour, Indiana employs 300
2 workers.

3 Just to give you a little flavor of the
4 consumer marketplace, again, it is a very stable slow
5 growth market. The market is not elastic, it doesn't
6 expand necessarily when lower priced ironing tables
7 are introduced into the market. Consumer purchases
8 are event driven. It's very much tied to new home
9 creation. People get married, they buy a house, they
10 go to college, they get divorced, something
11 necessitates the purchase of an ironing table. It's
12 not a multiple purchase category. People buy an
13 ironing table when they need one and they last a long
14 time.

15 Consequently, the U.S. market is very stable
16 and predictable. It's about five and a half million
17 units annually, growing at 1 to 4 percent per year.

18 Over the years, HPI did attain the leading
19 market share position through new product
20 introduction, a reputation for consistent quality and
21 deliveries and some strategic acquisitions in the
22 laundry category.

23 The trade customers are very concentrated at
24 the mass market level, with the vast majority of sales
25 concentrated to the major discount chains. The

1 historic pricing in the market is very stable. You
2 would have an annual line review process with your
3 customers and, yes, there would be the normal
4 jockeying for business, very health competition as far
5 as pricing is concerned. The cost of the product,
6 we're able to maintain our costs pretty well with
7 balancing the normal increases in labor, energy, raw
8 materials. At the same time we were investing in our
9 facilities, capital investments to maintain our
10 efficiency, automate production where we can and, in
11 effect make investments in low cost production.

12 As far as import competition is concerned,
13 historically, there was very little due to the
14 prohibitive freight costs. The European ironing
15 tables were a factor in the market but essentially at
16 the high end of that market. They tended to be large
17 sized ironing tables with more features.

18 As far as imports from China are concerned,
19 they were a small factor up until 2001. They first
20 became a factor in the market at the higher end of the
21 segment. The unit volumes at that high end are lower
22 and capital equipment in our facility to automate
23 these lower volume models would not be cost effective
24 due to the low unit quantities, so they became a
25 viable alternative and for us as well in that segment.

1 The Chinese offerings at the low end up
2 until that point were very low quality, they were
3 prone to rusting, the top surfaces were uneven and
4 sometimes jagged and even hazardous. The leg
5 diameters were smaller and they were not that stable.
6 And HPI does have a manufacturing and import strategy,
7 that is to focus on the low cost production of the
8 volume selling models in the U.S. and we did begin
9 sourcing in 2001 the higher end low volume models to
10 meet specialized customer requirements. We felt that
11 was a more effective use of our capital to work with
12 the manufacturing partners in Asia and concentrate our
13 production in the U.S. on the volume selling generally
14 speaking lower priced models.

15 In late 2001 and into 2002, we started
16 seeing dramatically lower selling prices on Chinese
17 produced ironing tables. At the same time, we also
18 observed a higher level of quality, particularly on
19 the low end models.

20 Whitney Designs did close their U.S.
21 manufacturing in the spring of 2002 and moved their
22 production to China. Throughout 2002, the retailers
23 were challenging our selling prices. In 2002,
24 retailers held several open bid events for ironing
25 tables. The timing of these events allowed real time

1 participation by the Chinese manufacturers. Suppliers
2 were pre-qualified, all of them, for an event with
3 product quality, so our product quality and the
4 Chinese manufacturers were all judge acceptable for
5 the event. But in these events, selling prices
6 plunged for the ironing tables.

7 As an incumbent in an event like this, you
8 have no choice but to significantly reduce your price
9 or lose market share. In some cases, we maintained
10 the share but lost revenues. In other cases, we lost
11 sales.

12 I can't say this is a situation where the
13 products were particularly unique or innovative, it's
14 primarily a price consideration and the line reviews
15 prior to this point were characterized with you would
16 bring your new products to the line review and it's
17 very competitive in price. You would be working with
18 your retail partners to try to grow the sales in a
19 very mature market.

20 At the end of 2001, the situation changed
21 dramatically and I have some overheads to share and
22 I will have a handout at the end.

23 In December of 2001, a major retailer held
24 an open bid event for a subsequent year's quantity of
25 ironing tables, four models. The result of that

1 event, the Chinese manufacturers unseated the
2 incumbent U.S. producers, us and Whitney Designs. And
3 this resulted in significant lost sales for
4 HPI starting in 2002.

5 In July of 2002, a major retailer challenged
6 our selling price on our number one volume product,
7 citing Chinese manufactured competition specifically.
8 The result is HPI capitulated on the price to retain
9 the market share, but significant revenue loss for our
10 company effective really immediately the following
11 month, in August of 2002.

12 In July of 2002, a major retailer held an
13 open bid event for a 12-month quantity of ironing
14 tables, five models. HPI was the incumbent supplier
15 on two of these models. As a result, we agreed to a
16 selling price reduction to retain the market share on
17 one model and another and we were unseated by a
18 Chinese manufacture on another model. Again,
19 significant sales and revenue loss to HPI beginning in
20 2003.

21 In August of 2002, a major retailer
22 challenged our selling price on two high volume
23 products specifically citing Chinese manufactured
24 competition. As a result, HPI capitulated on the
25 price, again, to retain market share, including a

1 dramatic price reduction on one model, incurring
2 significant revenue loss starting in 2003.

3 In December of 2002, a major retailer held
4 an open bid event for 2003 promotional quantities of
5 ironing tables. As a result, HPI unsuccessfully bid
6 with domestically produced products. We were forced
7 to bid using Chinese manufactured product. We were
8 awarded the business at a selling price below our
9 domestic product manufacturing costs.

10 On that same day, the retailer held an open
11 bid event for a 12-month quantity of full sized
12 ironing tables, a market basket, if you will, of four
13 items. We were unsuccessful in bidding with
14 domestically produced products and also unsuccessful
15 in bidding with our Chinese produced products.

16 So just to summarize, the U.S. market for
17 ironing tables supplied predominantly by U.S.
18 producers up until 2001. The selling prices were
19 generally stable over that time. The number two
20 ironing table producer ceased U.S. manufacturing in
21 the spring of 2002, moving production to China. The
22 retailers conducted several open bid events during
23 2002 for ironing tables and other retailers challenged
24 HPI on its selling price. All HPI competitors in
25 these events or challenges are Chinese producers.

1 HPI incurred significant sales and revenue
2 losses in the 12-month period, December 2001 to 2002.
3 Due to an implementation lag, a significant portion of
4 the injury doesn't occur until 2003.

5 So just to summarize this morning, our
6 business has been significantly damaged by what we
7 feel is unfair price competition from China. The
8 injury continues into 2003 due to the time lag for
9 implementation, as Mike mentioned.

10 HPI has taken major steps in an attempt to
11 be competitive. We've made capital investments in our
12 facilities. In the past two years, we've downsized
13 facilities, laid off workers and reduced manhours. We
14 have manufactured ironing tables in Seymour, Indiana
15 for over 50 years and we intend to continue to do that
16 for many years to come.

17 Thank you.

18 MR. BRADLEY: Thank you, Pete.

1 From HPI's perspective, what they really
2 observed in the 2002-2003 period was rapidly
3 increasing import competition, and from their
4 perspective they were forced to lower prices, and they
5 lost sale.

6 So as a factual basis, we have these two
7 events, increasing imports and injury through lost

1 revenues and lost sales. But of course, often what's
2 very difficult in these cases, as you know, is the
3 issue of causality. The two events occur, but did one
4 cause the other?

5 What I would sort of like to do is spend
6 just a little bit of time talking about the way we
7 view causality, and the issues associated with it. So
8 what I want to talk a little bit about then is --
9 first, let me try to summarize a little bit the
10 information that Mr. Graves gave you.

11 The first thing that we observe over this
12 period of time is rapidly rising imports. Now, as you
13 know, there is not a separate import category for
14 ironing tables. But HPI has had a significant market
15 share over the years. They have sold to all the major
16 customers, continue to sell to major customers, and
17 they know the size of the market. It grows gradually.
18 There is not your volatility. So they have got a
19 pretty good idea of the size of the market. They also
20 know what they sell. As the only remaining producer
21 of ironing board in the U.S., by default everything
22 else is an import.

23 So the numbers I'm going to show you are
24 their estimates, but I think they are reasonably good
25 because of the relatively simple structure of the

1 market.

2 So what this table shows are Chinese
3 imports, their estimates of Chinese imports 2000 to
4 2002, and their projection of what's going to happen
5 the balance of this year. As you can see, as Mr.
6 Graves said, imports are very small prior to 2001.
7 They almost tripled, went up by almost 200 percent
8 from 2000 to 2001. Again, they went up by almost 10
9 percent from the 2000 level by 2002, and we're
10 projecting nearly a 2,000 percent increase in 2003
11 over 2000.

12 So these numbers may not be exact. I don't
13 know that there really is one, five, four, three for
14 2002, but the ballpark is right, and the order of
15 magnitude is right. And it shows there has been a
16 dramatic increase in imports.

17 Given the relative stability and demand for
18 ironing boards, the implication of that, of course, is
19 dramatic increases in penetration. And so what this
20 chart show is the fact that Chinese imports went from
21 less than three percent back in 2000 to nearly half
22 the market this year. Perhaps even more than that --
23 likely to be more than that next year. And so we had
24 rapidly rising imports both in absolute level and
25 relative to the domestic market.

1 That raises the question, what's the result
2 of such an increase in imports? Well, this is a
3 relatively simple product as I mentioned before. The
4 way that Chinese importers get new sales is by
5 lowering price. They don't have a dramatically
6 different quality, they don't have dramatically new
7 features, they simply lower price.

8 And so, as Mr. Graves said, what we observed
9 in 2002 and this year are really unprecedented price
10 declines. Prices are moving by much more than they
11 had historically.

12 In addition, clearly when you lose market
13 share you have lost revenue, and you've lost sales.
14 And so the existence of those imports without an
15 increase in total demand for ironing boards
16 unquestionably means lost sales and lost revenue.

17 Of course, that leads us to injury. We have
18 lost sales and depressed prices, and the impact on HPI
19 is pretty clear. Their revenues are down, employment
20 are done, profits are down, and wages are down.

21 So from a factual basis, we had increasing
22 imports and injury, and the four things everybody keep
23 in mind about this injury.

24 First of all, as Mr. Graves mentioned, their
25 attempts at stemming the competitive harm hasn't been

1 enough yet. They have tried to mask price decreases
2 when they could and still, you know, make a positive
3 margin. They have become more capital intensive.
4 They reduced cost. They become more productive. But
5 it hasn't been enough. The injury still occurs.

6 Keep in mind also the injury is at the
7 initial stages because of the lag adjustment mechanism
8 here. In some ways the worst is yet to come.

9 Price changes in the ironing table industry
10 mean that the price declines in 2002 are going to show
11 up in this year's revenues and profits, and this
12 year's lower prices are going to show up in next
13 year's revenues and prices. So as a result, we're at
14 the beginning of the injury dynamic, if you will.

15 So let me talk directly about causality.
16 Given what's going on in the last year and a half, I
17 think it's pretty clear that causality runs from low-
18 priced Chinese imports to depressed U.S. prices.

19 Factor number one that allows us to observe
20 this is the limited numbers of buyers and sellers in
21 the U.S. market.

22 The market is very concentrated on the buyer
23 side. At the wholesale level a small number of large
24 retailers purchase a very large portion of the ironing
25 tables that makes observation of purchases and sales

1 very easy.

2 Second, this means that market participants
3 pretty much know who is selling to whom.

4 And finally, since middle of last year there
5 is only one U.S. producer, so it's pretty easy to
6 recognize that whatever HPI doesn't sell has to be
7 Chinese imports, which, again, makes figuring out who
8 is pushing prices down pretty easy from HPI's
9 perspective.

10 The second thing that's useful to keep in
11 mind here is that price changes tend to be what I call
12 discrete rather than continuous. In many cases price
13 change will come because a purchasers will call up and
14 say, well, I have an opportunity to get at a lower
15 price from someone else, or you had better lower your
16 price or I'm going to buy elsewhere, but it's not
17 necessarily lumped together at one place at one time.

18 With these annual line reviews and the
19 reverse auctions, it's pretty clear who is competing
20 in the market, and HPI is in the position of knowing
21 what their pricing is, what their profitable pricing
22 is, and what they have to do to meet the competition.

23 So what we really observe here is at
24 discrete events, like the ones Mr. Graves outlined,
25 HPI was faced with negative pressure from Chinese

1 imports. It was very observable to them, and they
2 were forced to react to them.

3 In addition, they recognize that the pain is
4 going to come in the future. They would know in
5 October, November, December of 2002 that those
6 numbers, those lost sales and lost revenue numbers are
7 going to show up in their 2003 data.

8 The last factor that I think that's
9 important in keeping in mind here is the fact that the
10 demand for ironing tables really is inelastic and has
11 been growing modestly. As new households are formed
12 in the U.S., more ironing tables are purchased.
13 People don't go out and buy a new ironing table just
14 because the price is five percent lower or 10 percent
15 lower than it was last year. Their existing ironing
16 table is perfectly effect. And even if it's five
17 percent lower, why spend money on a replacement. So
18 people buy ironing tables because they need one.

19 And so as a result, we don't see declines in
20 demand. U.S. household formation is rising slowly.
21 Demand for ironing tables is rising slowly. In
22 addition, lower prices don't really stimulate new
23 sales. We haven't seen a burst of demand where, you
24 know, sales of ironing tables have gone up
25 dramatically because of lower prices.

1 So that really leads us to the classic
2 schematic, right. What happens really in 2002 was
3 imports started to penetrate the U.S. market with very
4 low prices. Two observable facts came from that
5 import penetration.

6 More imports are here. Undeniably, a lot
7 more imported Chinese ironing boards are sold now than
8 there was in 2000 or 2001.

9 Also undeniably, prices are much lower than
10 they were before. As the data that's been submitted
11 to you shows, they are dramatically lower.

12 Implication of these two facts? By
13 definition, increased imports are lost sales. By
14 definition, depressed prices means lost revenue.
15 Clearly those two together, lost sales and lost
16 revenue have caused injury.

17 So I think what this analysis shows is that
18 there was a clear, definable, understandable path from
19 the import penetration to the injury.

20 But what about other factors? You know, one
21 thing that we always have to sort out in these cases,
22 was there something else that caused injury that
23 wasn't imports. Let's talk about the fact of other
24 factors.

25 I would argue that there really have been no

1 other external changes in the ironing table market in
2 2002 and 2003 that caused this observable injury.

3 For example, there really has been no battle
4 for market share amongst domestic suppliers. You
5 know, prior to 2002, there were only two suppliers,
6 and to be honest with you, prior to 2002, this was a
7 profitable market, profitable industry for HPI. They
8 had no incentive to undertake ruinous competition to
9 reduce and eliminate their profit. It did them no
10 good. They already had a substantial market share,
11 and there was only one other domestic competitor.

12 Yes, there was competition where one would
13 win one sale, one would win the other sale, but the
14 market shares were relatively stable and it was a
15 profitable stable market. They undertook no battles
16 to drive anyone else out of the industry. It was not
17 in their own interest. It was not in their own self-
18 interest. So really there was no battle for market
19 share among domestic suppliers.

20 There has been no technological change for
21 producing iron tables. No one came through with a
22 dramatically new way of making ironing tables that
23 would lower the cost by 25 percent or change the
24 product dramatically.

25 There is no import competition from other

1 countries here to cause prices to fall. We really
2 only have two sources of supply -- Chinese imports,
3 domestic producers.

4 There has been no dramatic decline in
5 demand. So lower prices and lost sales can't come
6 from the market being smaller in general because
7 demand hasn't fallen.

8 And lastly, there are no new interests in
9 the domestic industry. Another reason why we might
10 have lower prices is if we had a new producer come in
11 trying to break into the market domestically through
12 lower prices. That hasn't occurred.

13 So in reality, there really are no other
14 external events that can explain the classic pattern
15 that we observed, and that pattern is imports rising,
16 sales about stable, market shares dramatically rising
17 from Chinese imports, falling for U.S. production,
18 prices falling sharply. Those four patterns are
19 really only consistent with one event, and that's the
20 introduction of unfairly priced Chinese ironing tables
21 in the U.S. market.

22 So that brings us to where we are today.
23 But as I said before that's really not the end of the
24 story as far as HPI is concerned because they are very
25 concerned about the future, and they believe, and I

1 agree with them that the threat of future injury,
2 additional injury is large and imminent.

3 Why? Well, one, look at what has happened
4 to imports. The recent trends in imports suggest that
5 imports are coming full steam. There is no indication
6 of a diminution of import penetration, and we expect
7 them to continue to increase in both absolute and
8 relative terms.

9 As we go through more and more of these
10 individual discrete pricing events, HPI is going to
11 face more and more negative pressure on their prices,
12 and it's going to continue to injure them.

13 Secondly, the capacity to produce in China
14 is really elastic. Ironing board production is not
15 high tech. If you are in the metal-forming industry,
16 it's my understanding it's pretty easy to transfer
17 from producing metal folding tables and chairs to
18 producing ironing tables. The technologies are not
19 mysterious or unknown. And so there is a tremendous
20 ability for the Chinese to shift production from other
21 metal products to ironing boards, which means huge
22 potential source of supply.

23 Lastly, worsening price depression and lost
24 sales is really going to drive HPI to the point where
25 the make versus buy decision turns from make to buy as

1 they have had to do in a few isolated cases already as
2 the price in the U.S. market continues to fall and
3 gets to the point where they are not even covering
4 their variable cost of production. It makes no
5 economic sense for them to continue in business.

6 And so they are really facing the
7 possibility that as the pressure from Chinese imports
8 continues over the next six months, year, year and a
9 half to two years that they are going to have to
10 really seriously consider the economic viability of
11 continuing to produce in the United States.

12 That concludes what I have to say. And I
13 think we are ready for questions at this point. Thank
14 you very much.

15 (Pause.)

16 MR. CARPENTER: Thank you for your
17 testimony. We will begin the questions with Ms.
18 Burns. You have no questions?

19 Okay, Ms. Hughes.

20 MS. HUGHES: Rhonda Hughes from the Office
21 of General Counsel.

22 Just to make sure I've got a clear, and I
23 know the Commission would have the same question I
24 would, if someone could explain to me exactly what the
25 difference is between the high end tables and the low

1 end tables.

2 Are we just talking about features such as
3 linen racks that are added, or maybe the pleated legs
4 or mat legs make it high end, or the perforated top,
5 or exactly what is that?

6 MR. GRAVES: Yes, I can answer that.

7 The higher end models of ironing tables
8 might be larger in size. They might have a wider,
9 sometimes a longer width, but generally being an 18-
10 inch width versus a 14, for example. You would get
11 into more features like a line rack, as you mentioned,
12 or an iron rest, a place to put your iron, or a cord
13 keeping devise. The leg diameters can get larger for
14 more perceived value. Those are the main distinctions
15 between an opening price point and a higher end model.

16 MS. HUGHES: Would the hotels turn to the
17 higher end models rather than a standard home or is
18 there no difference?

19 MR. GRAVES: The hotels would tend to either
20 purchase -- well, it would be one of these. It's
21 almost always a T-leg configuration which
22 characterizes the lower price points. Perhaps might
23 have a thicker leg diameter, but that would be the
24 extent of the futures generally would be, you know, a
25 T-leg model with an normal size top.

1 MS. HUGHES: Okay, thank you.

2 The springboard for the Commission's
3 assessment of injury is a definition of the domestic-
4 like product. Do you believe that the Commission
5 should define all of the ironing tables as a single
6 domestic-like product, including high end, low end,
7 perforated tops and unperforated tops? Or do you see
8 any distinction there?

9 MR. IKENSON: We do consider the full gamut
10 of floor-standing metal top ironing tables a single-
11 like product.

12 MS. HUGHES: And would you include in the
13 like product pads and covers, the tables that are sold
14 with pads and covers as well, or would you believe
15 they should comprise a separate like product?

16 You can feel free to answer this in your
17 post-conference submission if you would like to.

18 MR. IKENSON: We will be pleased to
19 elaborate on that in the post-conference brief.

20 MS. HUGHES: Okay.

21 MR. IKENSON: We'll do it that way.

22 MS. HUGHES: Okay. And when you elaborate,
23 if you could give your explanation in terms of the
24 factors the Commission generally considers in making
25 its like products analysis, we would appreciate it.

1 And also, if you could state in this case
2 whether you believe the Commission's semi-finished
3 like product analysis should apply being that there --
4 I understand there could be some assemblance with the
5 racks or perhaps the legs, and maybe that's relevant,
6 may not; you can tell us that.

7 MR. IKENSON: We will address that.

8 MS. HUGHES: Is there any sort of business
9 cycle involved with the production of ironing tables?

10 MR. GRAVES: Would that be seasonality?

11 MS. HUGHES: Yes.

12 MR. GRAVES: The peak period tends to be in
13 the summer, back to school period. But otherwise it's
14 pretty consistent throughout the year.

15 MS. HUGHES: Okay.

16 MR. GRAVES: The business cycle, again, you
17 tend to with our major customers have a review period,
18 whether it's a face-to-face review, perhaps it's an
19 open bid event, a reverse auction or something like
20 that. Those tend to be annually for the subsequent
21 year, so purchasing or pricing is established at that
22 time.

23 MS. HUGHES: I saw a lot of December kind of
24 mentions when you were doing the exhibit presentation
25 that we had. Is there any particular -- is there a

1 summer reverse auction procedure or summer line review
2 set up, or do these happen at any particular time
3 during the year?

4 MR. GRAVES: Well, they can happen at any
5 time during the year; one for a summer promotion would
6 probably occur, you know, six or seven months prior to
7 the promotional period.

8 MS. HUGHES: But there is no set time for
9 these things?

10 MR. GRAVES: Not really, no.

11 MS. HUGHES: Okay. If you could also
12 provide in your post-conference brief what you believe
13 the conditions of competition that are relevant to the
14 industry are, we would appreciate that.

15 And I know you have detailed a lot of
16 reasons why you believe there to be a threat to the
17 domestic industry by reason of these imports. If you
18 could also detail by reason of the factors the
19 Commission is expected to assess that are in the
20 statute, we would appreciate that as well.

21 Thank you.

22 MR. CARPENTER: Mr. Benedetto?

23 MR. BENEDETTO: John Benedetto with the
24 Office of Economics. Thank you all very much for
25 coming.

1 If any of the questions I ask reference any
2 confidential information, please feel free to answer
3 later in a confidential submission.

4 I am wondering, do you know approximately
5 what percent of the market is these high end boards we
6 have been hearing about today? Again, if this is a
7 confidential question, maybe that's -- is this a large
8 percentage of the market?

9 MR. GRAVES: Yes, it would be less than 15
10 percent of the market.

11 MR. BENEDETTO: Less than 15 percent. So
12 most of the -- 85 percent of the market more or less
13 is the lower price point?

14 MR. GRAVES: Right.

15 MR. BENEDETTO: And the lower price point
16 includes T-leg and four-leg?

17 MR. GRAVES: And four legs. The vast
18 majority would be the T-legs.

19 MR. BENEDETTO: Both metal perforated and
20 mesh?

21 MR. GRAVES: Yes.

22 MR. BENEDETTO: Is that right? And the
23 metal perforated and mesh compete with each other?

24 MR. GRAVES: Yes.

25 MR. BENEDETTO: Is brand name important at

1 all as a purchasing factor?

2 MR. GRAVES: Brand name is not a primary
3 consideration. It's generally an unbranded category,
4 and in fact many of the retail chains have developed
5 own brands for the category.

6 MR. BENEDETTO: What is the qualification
7 process like if you can speak about that publicly?

8 MR. GRAVES: Well, in an on-line event the
9 qualification process would be all invited suppliers
10 would be asked to submit physical samples, which are
11 inspected and pre-qualified by the customer. If there
12 is any changes that would need to be made, they would
13 advise you ahead of time, and they would enter that
14 event with all suppliers or bidders pre-qualified with
15 a quality approved product.

16 MR. BENEDETTO: And that's the same for non-
17 on-line auctions as well?

18 MR. GRAVES: Yes. When you have a line
19 review, face-to-face review for the subsequent year's
20 business you would bring in your product samples, and
21 they would be inspected and reviewed by the buyer, and
22 they would make decisions at that time.

23 MR. BENEDETTO: And I guess just on more
24 question. Have your purchasers been basically the
25 same groups, or the purchasers in the market, not

1 necessarily yours, have they been basically the same
2 groups since 2000?

3 MR. GRAVES: The trade customers? Yes,
4 essentially it's the same, yes.

5 MR. BENEDETTO: Thank you very much.

6 MR. GRAVES: Thank you.

7 MR. CARPENTER: Ms. Noreen.

8 MS. NOREEN: Bonnie Noreen with the Office
9 of Investigations.

10 Did you bring those ironing boards or is
11 that the other side? They are the other sides?

12 MR. GRAVES: The other side.

13 MS. NOREEN: Okay, can tell by looking at
14 those ironing boards whether they are domestic or
15 whether they are imported?

16 MR. GRAVES: I can tell, yes.

17 MS. NOREEN: Yes, you can.

18 And are any of those yours?

19 MR. GRAVES: I haven't been over to look,
20 but I don't think so, no.

21 MS. NOREEN: And so you think those are all
22 imported ones?

23 MR. GRAVES: Yes.

24 MS. NOREEN: But you make ones that are just
25 like them?

1 MR. GRAVES: Very similar, yes.

2 MS. NOREEN: Very similar.

3 The one that's closest to me is the T-leg
4 one that is the --

5 MR. GRAVES: That's right.

6 MS. NOREEN: -- basic bottom line one?

7 MR. GRAVES: That's the bottom, and that's
8 the opening price point essentially, right.

9 MS. NOREEN: Okay. And how much does that
10 typically sell for?

11 MR. GRAVES: Retail price is anywhere from
12 nine to 15 dollars generally speaking.

13 MS. NOREEN: Retail price?

14 MR. GRAVES: Retail, yes.

15 MS. NOREEN: So I would be able to go and
16 buy that for \$9 at the store?

17 MR. GRAVES: Potentially, yes.

18 Right at this time it's the heavily promoted
19 time of the year, back to school, you will see them in
20 that price range right now.

21 You would expect to pay more, I guessing?

22 MS. NOREEN: Yes. How much of the market is
23 that?

24 MR. GRAVES: It's the vast majority of the
25 market. Perhaps 75 percent.

1 MS. NOREEN: So that's 75 percent of the
2 market, this T-one that is \$9?

3 MR. GRAVES: Approximately, yes.

4 MS. NOREEN: Okay. Retail?

5 MR. GRAVES: Retail.

6 MS. NOREEN: Okay. What would --

7 MR. GRAVES: It's not always \$9, I should
8 point out there. It's price promoted during the back
9 to school period, which is right now. Maybe it's a
10 \$12 to \$15 every day. It depends on the retailers.
11 Some chains run more of a high/low every day -- versus
12 an every day low price format. So a retailer may
13 elect to have a higher every day price, if you will,
14 and then a sharper promotional price. Other retailers
15 may have more of an every day low price strategy where
16 it's lower priced consistently throughout the year.

17 But I would say most of the retail sales
18 occur probably a round the 10 to 12 dollar retail
19 range throughout the year.

20 MS. NOREEN: And is that going to include --
21 for that price is that going to include the pad and
22 the cover?

23 MR. GRAVES: That's right.

24 MS. NOREEN: Okay. And that goes up and
25 down and has heights that change?

1 MR. GRAVES: Yes, that's correct.

2 MS. NOREEN: And it's about \$12. Okay.

3 And that's about 75 percent of the market?

4 MR. GRAVES: Yes. Our product, for example,
5 has an infinite height adjustment where you can raise
6 the level really infinitely, not with a certain amount
7 of stops along the way, but top to bottom adjustment.
8 If you want to sit and iron, you can do that, or stand
9 up, depends on your height.

10 MS. NOREEN: Okay. And 10 years ago would
11 that still have been about 75 percent of the market?

12 MR. GRAVES: Probably, yeah.

13 MS. NOREEN: And 10 years ago what would
14 that have cost?

15 MR. GRAVES: Well, it would predate me a
16 little bit in the category, but when -- in 1997 and
17 '98, I can tell you when I got involved in the
18 business.

19 MS. NOREEN: Okay.

20 MR. GRAVES: The retails were typically, oh,
21 \$15 range.

22 MS. NOREEN: So it was higher at that time?

23 MR. GRAVES: A little bit higher, yeah.

24 MS. NOREEN: And you have been with the
25 company for 20 years, wasn't it?

1 MR. GRAVES: Twenty years, but have been
2 involved in this category for seven. We got into the
3 laundry category, our company, through an acquisition
4 in 1997.

5 MS. NOREEN: I'm sorry, you got into?

6 MR. GRAVES: Through acquisition. We bought
7 Semore Housewares, which was the long-time producer in
8 the category. We acquired them, and at that point I
9 personally became involved in the selling and
10 marketing of ironing tables.

11 MS. NOREEN: Okay. I guess I'm confused.
12 So that was '98? '97-98?

13 MR. GRAVES: That's right.

14 MS. NOREEN: So five years ago your company
15 didn't even make the ironing table that's 75 percent
16 of the market?

17 MR. GRAVES: Our company at that point
18 acquired a company that had been in the business since
19 1947.

20 MS. NOREEN: And so at that time you didn't
21 make the ironing table, the biggest ironing table?

22 MR. IKENSON: The answer is yes. HPI made
23 the iron table. Mr. Graves joined the -- got involved
24 in the ironing table business in 1997, so he can speak
25 from his experience starting with 1997.

1 So if you wish to ask about his familiarity
2 with ironing tables, what they make, what they were
3 sold at, priced at, I think Mr. Graves can address
4 those questions.

5 Is that not right?

6 MR. GRAVES: Yes.

7 MS. NOREEN: Okay, but he can't answer
8 anything earlier then, I guess.

9 MR. IKENSON: Can you?

10 MR. GRAVES: I don't have direct experience
11 in it but I --

12 MS. NOREEN: Right.

13 MR. GRAVES: -- may be able to answer from
14 my understanding of the category historically.

15 MS. NOREEN: Well, see, I guess why I am
16 confused is because of the introductory comments by
17 the opposing side.

18 MR. GRAVES: Yes.

19 MS. NOREEN: Which is something that is
20 mentioned by you, Mr. Bradley, which was when you were
21 looking at what would the cause be of these prices
22 going down, and you know, it has to be imports, it has
23 to be imports, and because there has been no battle
24 for market share among domestic suppliers.

25 And what we heard from the opposing side in

1 their statements was exactly the opposite. They said
2 definitely there was a price battle, and that it was
3 your firm that was, you know, the instigator that was
4 leading the prices down. And so I was just trying to
5 get at that, what was it a few years ago.

6 MR. GRAVES: Right.

7 MS. NOREEN: And that's why I was curious as
8 to this product, which is 75 percent of the market,
9 but now I am confused because you got through
10 acquisitions, you got the company that made the big
11 volume product then?

12 MR. GRAVES: That's right.

13 MS. NOREEN: Okay. So even though you have
14 made ironing tables, you were not making either very
15 much or maybe you were making only the high end --

16 MR. GRAVES: No, we got into the --

17 MS. NOREEN: -- ironing table earlier?

18 MR. GRAVES: We got into the segment in its
19 entirety through an acquisition. In other words prior
20 to 1997, our company, Home Products International was
21 not operating in the category at all. We acquired a
22 company that had the full product assortment of
23 ironing tables, or had been making them for, oh, 50
24 years at that point.

25 MS. NOREEN: Okay. So the company that you

1 acquired has been making them for 50 years?

2 MR. GRAVES: That's right.

3 MS. NOREEN: I understand. Okay. So that's
4 the company that's been making them.

5 MR. GRAVES: Correct.

6 MS. NOREEN: Okay. And that company --
7 prior to you buying that company, what would that
8 company have sold those ironing tables for? Would you
9 know or not?

10 MR. GRAVES: Well, yes, I would know.

11 MS. NOREEN: Okay.

12 MR. GRAVES: And I think what you're getting
13 at is what was the price history, you know, prior to -
14 -

15 MS. NOREEN: If you don't mind, yes.

16 MR. GRAVES: -- the Chinese getting into the
17 market?

18 MS. NOREEN: Yes.

19 MR. GRAVES: My own personal experience
20 again starts in late 1997-1998. I would just
21 characterize it as normal price competition in annual
22 line reviews. I can tell you we gained business from
23 a competitor. We lost business to competitors, and
24 you know, all things are considered in an evaluation
25 in a line review -- price, quality, competency,

1 shipping, delivery performance, things like that.

2 And I wouldn't say that we were taking
3 market share left and right to be honest with you. It
4 was, you know, simply normal, fairly insignificant
5 price competition; not the dramatic price reductions
6 that we have seen in the last two years.

7 MS. NOREEN: So if that goes for \$12 now,
8 about, and it went for \$15 --

9 MR. GRAVES: \$15, approximately, yes.

10 MS. NOREEN: -- when you were -- about five
11 years ago, so that's been the decline that you're
12 talking about, and that's as a result of the Chinese
13 coming in in the last couple of years?

14 MR. GRAVES: Well, it's dropped in retail
15 value. The last two years has been the bulk of that
16 drop, yes.

17 MS. NOREEN: Okay. Okay, I think I have no
18 more questions. Thank you.

19 MR. GRAVES: Thank you.

20 MR. CARPENTER: Thank you. I have a few
21 questions for Mr. Bradley and Mr. Avery.

22 I guess, first of all, I would like to
23 explore the closing of Whitney Design. Mr. Perry said
24 in his opening remarks that Whitney Design closed in
25 2001, and China entered the market in 2002. And I

1 believe, Mr. Avery, you said that Whitney closed in
2 the spring of 2002 and then moved to China.

3 I understand we will probably have some
4 information directly from Avery that might shed some
5 light on that, and we'll look into that. But if you
6 have any further information about the timing of when
7 Whitney exited the market, if you could either shed
8 some light on that now or it might be better in your
9 post-conference briefs.

10 MR. AVERY: Okay.

11 MR. BRADLEY: Okay.

12 MR. CARPENTER: Again, I would like to
13 follow up a little bit on Ms. Noreen's questions about
14 the decrease in pricing, and again, we should have
15 data from the questionnaire responses, which I haven't
16 seen yet, but that would indicate when the prices
17 declined.

18 And the respondents in their opening
19 statement made the comment that prices declined in
20 2001 before China entered the market, and petitioners,
21 of course, you're aware of your own prices. I would
22 just ask if you if you could look at the price data
23 that you submitted to the Commission and your
24 questionnaire response, and if in fact there is a
25 significant price decline in 2001, in your post-

1 conference brief if you could explain what was the
2 cause of that price decline, and you know, if it was
3 in fact before Chinese imports entered the market in
4 significant volumes, if you could explain what it was
5 that was causing that.

6 The respondents also made a comment in her
7 opening remarks that the market may be saturated
8 because of low prices. Mr. Graves or Mr. Bradley, do
9 you have any comments on that?

10 MR. GRAVES: The only comment I would make
11 is if you look at the unit sales history over the
12 period we're talking about, it is very consistent,
13 between five and five and a half million units a year.
14 So we didn't see a drastic unit decline in any year.

15 MR. CARPENTER: What about in 2003, do you
16 think that's going to remain fairly stable?

17 MR. GRAVES: Yes.

18 MR. CARPENTER: Okay.

19 MR. BRADLEY: I would just add there is also
20 no indication of a burst or a bubble in increases in
21 demand in 2002 or 2003, which would be associated with
22 such a saturation.

23 In other words, for saturation to occur you
24 would follow your normal trend, and then expect some
25 sort of a spike where the low prices stimulate a lot

1 of purchases, but that really hasn't shown up in the
2 data. We have continued to grow along that steady
3 trend.

4 MR. CARPENTER: I see. Mr. Graves, I think
5 you said that capital investment is important in this
6 industry to remain viable and to develop new products.
7 I'm just curious as to how important new product
8 development is in this industry. I know it may be
9 difficult to quantify it, but if you could address
10 that a little bit.

11 MR. GRAVES: Sure, I would be happy to.

12 As any of our businesses, new products are
13 very important. It may be difficult for you to see,
14 because it might be a subtle change, the new product
15 development, and I attribute that to the shape of an
16 ironing is the way it is and has been for such a long
17 time, because it's the right shape. It's very
18 functional, allows you to iron different parts to the
19 garment, sleeve and pant legs and so forth. So there
20 might be subtle changes to top shape, different
21 designs of the leg configuration, different finishes,
22 different features as we talked about in some of the
23 higher end models with places to put your iron and
24 garments and so forth.

25 MR. CARPENTER: Okay. You indicated that

1 you began sourcing your high end ironing tables from
2 China. Was that in 2001 or 2002 that you said?

3 MR. GRAVES: 2001.

4 MR. CARPENTER: 2001. And then you focused
5 on the high volume, lower priced products. Why is it
6 that you decided to import the Chinese product?

7 MR. GRAVES: Actually, it was the other
8 round. It was the higher end, lower volume product.

9 MR. CARPENTER: Okay.

10 MR. GRAVES: The reason we did that, again,
11 is capital investments to develop a new iron table in
12 the U.S., a new style or design are very expensive,
13 and the return on that, frankly, is a challenge if
14 it's a low volume product. And by definition the
15 higher end models are going to be lower volume because
16 the purchases are concentrated at the value end of the
17 spectrum.

18 So we just chose that as a better use of our
19 capital expenditures to produce some of those. Some
20 of those were customer-specific models that we worked
21 with with customers to develop, and we just elected to
22 do that with a trading partner, the Far East, and
23 continued our investment in low cost production in our
24 facilities in the United States.

25 MR. CARPENTER: Did the Chinese already have

1 the higher end product on the market or did you work
2 with them to develop the higher end product?

3 MR. GRAVES: Well, they were already higher
4 end models on the market from some of our competitors
5 at that time. We did, you know, work with our
6 partners to develop specific designs for our company.

7 MR. CARPENTER: Could an argument be made
8 that the Chinese did not necessarily take volume away
9 from you, but they had expanded the market through
10 product innovation in developing higher end products?

11 MR. GRAVES: I couldn't make that argument.
12 A lot of the loss both in revenues and sales for our
13 company has actually been at the other end of the
14 market.

15 MR. CARPENTER: I see.

16 MR. BRADLEY: I also think that the relative
17 proportions made by the entry price point in the good
18 and the better and the best has stayed, you know,
19 relatively stable in terms of total demand over the
20 last three or four years, so there hasn't been a large
21 shift say away from the \$12 board up to the \$25 board
22 or the \$50 board.

23 It wasn't so much a substitution of the more
24 expensive board for the cheaper board as it was from
25 the wholesalers' perspective a substitution of the

1 Chinese for the U.S. produced at each of the
2 categories.

3 MR. CARPENTER: When did you start to feel
4 the effect of the Chinese imports of a high volume/
5 lower priced product, lower model product?

6 MR. GRAVES: Well, it was beginning in 2001
7 really toward the end of the year, the first event we
8 went through, and then dramatically increased
9 throughout 2002.

10 MR. CARPENTER: Okay. I think maybe Mr.
11 Benedetto had already asked you about brand names.
12 This is similar. Is product differentiation in
13 advertising important in this industry?

14 MR. GRAVES: Are you talking about
15 retailers' advertising?

16 MR. CARPENTER: Right.

17 MR. GRAVES: I wouldn't say it's --
18 primarily the advertising models are almost always the
19 lower priced models where there's less
20 differentiation, frankly, between the products.

21 MR. CARPENTER: Okay.

22 Mr. Bradley, I think you mentioned or made a
23 statement something to the effect that this year's
24 price declines show up in next year's lost sales and
25 lost revenues. Could you elaborate on what you mean

1 by that?

2 MR. BRADLEY: Yes. What I meant by that is
3 the following notion. There may be what's called an
4 annual line review say in September or October of
5 2002. At the annual line review, the retailer selects
6 the supplier, and essentially the retailer and
7 supplier agree on the price. However, the shipments
8 of the ironing board under that implicit agreement
9 really won't occur until say April or May of 2003.

10 Similarly, in a reverse auction context if
11 that would take place say December 2002, that
12 agreement would be for quantities and prices to be
13 delivered in April, May, June 2003. That's what I
14 meant by the prices are set four to six months before
15 it would show up in the books in terms of ironing
16 board sales, revenues earned and price.

17 MR. CARPENTER: Do the annual line reviews
18 end up resulting in annual contracts, either verbal or
19 written, for specified quantities over a year's
20 period?

21 MR. GRAVES: There are no contracts, first
22 of all. They're not written contracts. I think Mike
23 said an implied contract. You would have an agreement
24 generally to provide an annual year's or 12 month
25 period's quantity, and you would work with the

1 customer to define what that is to make sure, you
2 know, production can support the demand, but they're
3 really not contractual by any means.

4 MR. CARPENTER: Do those annual agreements
5 tend to be for a calendar year period, or could they
6 start at any time?

7 MR. GRAVES: Not always a calendar year.
8 Sometimes the program might start, as Mike mentioned,
9 in the spring. It depends on the customer. Some
10 might start at the beginning of the year, and some do,
11 but it varies by retailer.

12 MR. CARPENTER: Is there any seasonal
13 fluctuation to sales?

14 MR. GRAVES: Again, a little bit of an
15 increase in the summer months due to heavy promoting
16 by the retailers coinciding with back-to-school when
17 there's a lot of customer traffic in the stores.

18 MR. CARPENTER: Okay. I believe that's all
19 the questions I have.

20 Does staff have any? Mr. Benedetto?

21 MR. BENEDETTO: Thank you. I have a couple
22 more quick questions, I think.

23 Regarding these 12 month agreements, since
24 there is no contract could the purchaser basically
25 start sourcing elsewhere at will? Is that correct? I

1 mean, after four months they could come to you and ask
2 for a lower price with the threat of going somewhere
3 else and not completing the agreement?

4 MR. GRAVES: Are you talking about a retail
5 customer of ours?

6 MR. BENEDETTO: Yes.

7 MR. GRAVES: That could happen. Technically
8 the proper way to do it or the way we've all
9 historically operated is the time to make your price
10 bids and so forth is during your review.

11 The retailers would make their decisions
12 based on the product and the price and the companies
13 at that time and then formalize their business for the
14 following year. Yes, you could change that midyear,
15 but it's kind of uncommon for that to happen.

16 MR. BENEDETTO: But you did reference it
17 happened I think twice recently, is that right, in
18 your presentation, Dr. Bradley?

19 MR. BRADLEY: I think actually it was his
20 presentation.

21 MR. BENEDETTO: Oh, I'm sorry.

22 MR. BRADLEY: In any event, not all
23 retailers have annual line reviews. That's one thing
24 to keep in mind. The big ones do, but not necessarily
25 every one.

1 There will be smaller retailers who don't
2 necessarily set their annual business, in which case
3 it would be the more traditional contacting you and
4 saying I've got a better price from someone else. Can
5 you match it?

6 In addition, I think there was a case where
7 a Chinese importer approached a major retailer and
8 said, you know, you've already made sort of this
9 implicit agreement sort of like, you know, a labor
10 agreement where yes, the company could go out and hire
11 someone new every year, but they don't because that's
12 not the tradition.

13 It's the same thing here. Formally they
14 could, and in that instance, just like if a company
15 was having difficulty and would say, you know, I need
16 to cut your wages.

17 Here there was actually an instance where a
18 Chinese importer approached the company and said
19 you're, you know, purchasing this board at what we
20 understand to be this price. We can offer essentially
21 the same product to you for a significantly lower
22 price. Then the company came back to HPI and said,
23 you know, if you want this business you have to do
24 something about it.

25 It has happened recently, but it's not the

1 traditional mechanism for price adjustment in the
2 industry.

3 MR. BENEDETTO: How often, if ever, are
4 sales of ironing tables bundled with sales of other
5 goods? Does that ever happen?

6 MR. GRAVES: Well, it depends on what you
7 mean by bundling. For example, in a review you might
8 be reviewing the entire category, everything from
9 clothespins to replacement covers for the ironing
10 tables to laundry bags and things like that, so they
11 tend to be reviewed like one time.

12 As far as the bundling, we don't --

13 MR. BENEDETTO: Does the price of the
14 ironing table depend on the price of something else at
15 all?

16 MR. GRAVES: No. All the pricing,
17 particularly with some of the mechanisms in place now
18 which are the bid events which specifically identify
19 ironing tables, let's say, as a category up for
20 review, so that certainly doesn't allow any bundling
21 here. You're bidding on that particular item as
22 specified by the retailer, and you've submitted your
23 samples for that event. There's no bundling
24 opportunity there.

25 You might have a market basket bid event

1 where you're on a weighted average bidding on several
2 different models of ironing tables. That's happened a
3 few times with us, but there's not a lot of
4 opportunity to link your products and bundle them
5 together to a major retailer.

6 MR. BENEDETTO: One last thing. Mr.
7 Ikenson, I think it would be very helpful if you
8 discussed in your submission how we can interpret the
9 pricing data that we collected in the investigation.

10 MR. IKENSON: I'm sorry? I didn't hear you.
11 How you can interpret what?

12 MR. BENEDETTO: The pricing data that we did
13 collect in the investigation.

14 MR. IKENSON: Yes. We shall do that.

15 MR. BENEDETTO: Thank you.

16 MR. CARPENTER: Okay. Thank you, gentlemen,
17 very much for your helpful testimony and your answers
18 to our questions. We appreciate it.

19 We will take a brief recess of about five to
20 10 minutes to allow the Respondents to get situated at
21 the table.

22 (Whereupon, a short recess was taken from
23 10:51 a.m. to 10:55 a.m.)

24 MR. CARPENTER: Before we begin, I'll accept
25 as Petitioner's Exhibit 1 and Exhibit 2 a series of

1 slides that they provided during their testimony.
2 We'll accept that into the record, and that will be
3 made part of the transcript.

4 Please proceed.

5 MR. PERRY: My name is William Perry of the
6 law firm of Garvey, Schubert & Barer, and I'm here
7 representing several of the importers in the case.

8 I'd just like to make a couple very quick
9 comments about the Petitioner's statement. As you'll
10 hear, prices were not stable before the imports showed
11 up. In fact, HPI had aggressively lowered the prices.
12 You'll see that from this chart, which we'll be
13 referring to, that shows Whitney's prices. It gives
14 you an idea of what happened. There was a sharp
15 decline between 1998 and 2000.

16 I might mention a couple of other points
17 quickly, too. Year 2003 import data has been
18 distorted by two unusual events. One was the west
19 coast dock strike. Bob maybe will remember from the
20 Bags case. We mentioned it there. It's the same
21 situation here.

22 The west coast dock strike and also a
23 substantial increase in freight cost. Freight cost is
24 a very huge issue for ironing tables. There was a
25 sharp increase in June, just like there was for the

1 bag guys. You have two unusual distorting events in
2 this first half of 2003.

3 The other thing is just the timing. James
4 Glenn will get into more detail, but the decision,
5 Whitney's decision to close, was made in 2001 because
6 of the price competition from HPI. They actually
7 closed their doors in April 2002, and they had a
8 period of about a year winding down.

9 Now I'd like to ask James Glenn of Whitney
10 Design to speak.

11 MR. GLENN: Thank you. My name is James
12 Glenn. I'm the president and CEO of Whitney Design
13 located in St. Louis, Missouri. I've been in the
14 ironing board business for about the past 17 years.

15 I began in this business as vice president
16 of sales and marketing for Seymour Housewares, which
17 is the company that Mr. Graves mentioned in his
18 presentation that they acquired. The previous name of
19 the ironing board part was Home Products
20 International.

21 I worked for Seymour from 1986 until 1990
22 when Seymour was sold to an investment banking group.
23 After leaving Seymour, I joined another small laundry
24 products company. We eventually acquired the number
25 two producer of ironing boards in the United States.

1 Whitney is a corporation made up of three
2 laundry products companies that we acquired in the
3 1990s. We combined those three companies into one,
4 creating Whitney Design. Our primary product lines
5 are ironing boards, covers and pads for the ironing
6 boards, hampers and sorters, laundry accessories and
7 closet organization products.

8 The company was started in 1986 and has been
9 under the same senior management since 1990.
10 Obviously our longevity and years in this industry
11 gives us a very keen understanding of the industry and
12 the historical knowledge to provide valuable
13 information to this committee.

14 HPI's petition alleges that Whitney Design
15 closed its ironing board production facility as a
16 result of dumped ironing tables from China. This is
17 absolutely not true. Our plant closure had nothing to
18 do with imports at all. Our closure was done for two
19 reasons. As indicated by the pricing chart that we
20 provided to you, the first reason is the aggressive
21 pricing tactics that HPI started in 1998.

22 HPI lowered prices sharply through 2000.
23 Whitney Design followed the pricing down, but
24 generally not to the same extent that HPI had done,
25 resulting in a substantial revenue and unit reduction

1 every year through 2002. The aggressive pricing
2 tactics also led to substantial reduction in our unit
3 volumes as our market share declined. This in turn
4 resulted in spreading factory overhead over fewer
5 units.

6 As plant and equipment maintenance and
7 replacement became unavoidable and the variable cost
8 increased, we had no choice but to close this
9 facility. This decision is in no way or was in no way
10 predicated on Chinese imports or the availability of
11 imports from China. If we had not been able to import
12 these units, we would have still closed our operation
13 because the plant was not profitable at the lower
14 prices established by HPI.

15 After closing the plant in 2002, we imported
16 ironing boards from China to mitigate the damage to
17 our company caused by HPI's aggressive pricing
18 tactics. To this day, we have not been able to
19 achieve the margins that we had in the mid 1990s
20 before HPI started the aggressive lower prices.
21 Moreover, since importing ironing tables from China,
22 we have not reduced our prices on comparable models
23 lower than the ironing boards we sold from our
24 domestic facility.

25 In fact, we have increased our average unit

1 value on the product line as a whole. For one major
2 customer, for example, in an unbundled price we are
3 selling our ironing boards from China at a higher
4 price than HPI is selling its comparable domestic
5 board for as shown in the petition. Because of
6 confidentiality, we will provide very specific
7 evidence about these prices in our post-conference
8 brief.

9 If I can, I'll digress for a second and talk
10 about retail prices that Ms. Noreen was questioning.
11 To give you very actual facts, I've been in the
12 industry long enough to know where the prices were. I
13 had a very vivid recall of prices, as an example, to
14 Wal-Mart in 1990 when I left Seymour Housewares. The
15 retail price of an ironing board at that time was
16 about \$16.99 for the same exact model that you were
17 discussing the T-leg with a pad and cover included.

18 There has been a variety of pricing battles
19 across the scope of the industry -- some including us,
20 some not including us -- which lowered prices probably
21 prior to the 2000, 1998, 1999 era where the prices
22 were about \$14.86, \$14.99. In 2000, there was
23 another, if you will, major pricing battle between
24 ourselves and HPI, and the prices declined again in
25 1999-2000.

1 To give you I guess a very specific example,
2 in that time frame Wal-Mart retailed an ironing board
3 for \$12.88. Today, if you take exception to the back-
4 to-school promotions that Mr. Graves discussed, the
5 price on an ironing table today is the same, \$12.88.
6 Prices really have not eroded. Retail prices have not
7 eroded since 2000.

8 Frankly, I think, in my opinion, what has
9 happened is that HPI found the bottom and couldn't
10 reduce prices any further. Therefore, the pricing
11 stopped. We have not seen aggressive pricing in this
12 time frame. As a matter of fact, as I stated, our
13 prices have actually gone up slightly. We will have
14 all of those documents and substantiate them in our
15 post-petition brief.

16 One has to look very closely at the timing
17 of our decision to close the plant. We made the
18 decision to close the factory in 2001 before the
19 imports from China became prevalent because of the
20 aggressive pricing tactics at HPI. Our decision to
21 close our production facility is irreversible. The
22 equipment has been sold, the production line is
23 dismantled, the dies were destroyed, and the people
24 had moved on to new careers. We cannot foresee
25 plausible future market conditions under which we

1 would choose to be in production again in the United
2 States.

3 Moreover, we believe HPI's aggressive
4 reduction in price in the late 1990s has caused a
5 contraction of the popular price point ironing boards
6 in the U.S. There's really no statistical reporting
7 service, to our knowledge, that reports a sale of
8 ironing boards, whether it be popular price point or
9 high end. Our market knowledge and the internal data
10 provided us by our customers we think can document our
11 belief.

12 The reasons for this contraction are as
13 follows: The low pricing driven by HPI on popular
14 priced ironing boards has caused the retail community
15 to lower their retail prices and has created major
16 promotions at very aggressive prices over the past few
17 years. When one considers that a consumer does not
18 buy an ironing board unless they need one at any price
19 and that the average life of an ironing board is plus
20 or minus 15 years, one can conclude very quickly that
21 the market, especially on the low-end product, is
22 saturated.

23 Today's clothing being advertised in the
24 media is driven by wrinkle-free. The dress patterns
25 in the United States are significantly less dress up

1 than in years past. Casual dress is the rule rather
2 than the exception. Today's young people throw
3 clothes in a dryer, put them on and walk out the door.
4 All of these points equate to less use of the current
5 ironing board and less demand for new ones.

6 The ironing board market today has
7 significantly more options than in past years. There
8 are many alternatives to the popular priced, low-end
9 ironing boards. These alternatives are as follows:

10 High-end ironing boards are being offered by
11 all the major mass retailers. This is a significant
12 change in the past two or three years. Today, you can
13 see chrome ironing boards in Wal-Mart that were never
14 present in years past. The evolution of the
15 countertop boards has grown significantly in the past
16 few years. Historically, they were only wood-topped,
17 inexpensive units. Today, they are available with
18 steel tops and some with chrome legs.

19 There's been a significant growth in
20 alternative style boards such as the built-in cabinet
21 boards, boards that open up from drawers, built-in
22 ironing boards into custom closets, boards that hang
23 from doors and other significant options.

24 Moreover, the industry has lost a number of
25 retail customers, some to recession, including

1 Bradley's, Ames, Caldor, Venture and Service
2 Merchandise. Most recently, HPI's largest customer,
3 K-Mart, has significantly reduced the number of
4 stores, thus losing market share.

5 Based on these closures, these retailers
6 have flooded the market with close-out and liquidated
7 merchandise. In addition, to counter the perception
8 that the reverse internet auction has caused prices in
9 the entire market to fall, the Commission should
10 understand that different retail customers have
11 different ways of doing business.

12 One of our largest customers has a just-in-
13 time inventory system and has never held a reverse
14 auction for ironing boards. For most customers, the
15 lower price is not the only condition of sale.
16 Customers want just-in-time, vendor managed
17 inventories, high quality, reliable and experienced
18 suppliers, differentiated features, product innovation
19 and prices within a competitive range. Price is not
20 always black and white the winner.

21 In conclusion, Whitney did not leave the
22 U.S. industry because of imports. Probably the most
23 difficult thing that I've had to do in my career is
24 stand up in front of 100 people and tell them we were
25 closing our ironing board facility. Some of these

1 people worked in our plant for 35 years.

2 To sit in this venue today and have to stare
3 my competition in the face and have them blame it on
4 Chinese imports is an insult. It has absolutely,
5 unequivocally nothing to do with Chinese imports. It
6 was their pricing tactics that closed our facility a
7 year and a half ago.

8 We closed our plant because of the
9 aggressive tactics of HPI. The tactics are still
10 impacting the U.S. market today and will for the
11 foreseeable future.

12 MR. PERRY: Mark Brown?

13 MR. BROWN: Good morning. My name is Mark
14 Brown. I'm the Senior Vice President of Finance and
15 CFO of Whitney Design. I've been with the company for
16 over nine years.

17 James Glenn has mentioned HPI's aggressive
18 pricing strategies on popular priced boards, popular
19 price meaning the T-legs and the four legs in
20 particular. I will give you several critical examples
21 of what we faced in the marketplace as HPI took prices
22 down to new lows through the late 1990s and the year
23 2000.

24 Beginning in 1998, HPI aggressively attacked
25 T-leg pricing at two of our secondary mass merchants.

1 These merchants are no longer any more, so I'm
2 comfortable speaking about them, Ames and Bradley's.
3 We retained the business at Ames by meeting their
4 challenge, and average pricing dropped by 59 cents per
5 unit versus the previous unit. We were unable to meet
6 the challenge at Bradley's.

7 1999 was the most active year in terms of
8 HPI's aggression. Similar to 1998, we matched another
9 T-leg price challenge at Ames, eroding average unit
10 pricing for the year by another 82 cents and \$1.41
11 collectively for the two periods.

12 HPI attacked not one, but all popular price
13 points at our two largest accounts in 1999. In
14 certain instances, we matched pricing and retained the
15 business. However, in certain instances we lost units
16 as we could not match their offer.

17 Due to the confidential nature of these
18 accounts, we cannot discuss this information publicly.
19 However, the impact on our overall prices is reflected
20 in the chart that we have submitted today. As a
21 result of all 2000 activity, overall pricing per unit
22 degraded approximately seven percent for the year.

23 HPI continued negative pricing pressure in
24 the year 2000. Pressure at Ames continued. We
25 matched, and average unit pricing degraded another 44

1 cents for the year, now \$1.85 cumulatively. By the
2 fourth quarter of 2000, we were challenged again, at
3 which time we conceded to HPI as prices were now
4 simply too low, and Ames' credit risk was simply too
5 high.

6 Again, HPI exerted downward pressure on all
7 remaining popular price points at our two largest
8 accounts. We matched our challenges. However,
9 overall unit pricing degraded another four percent in
10 2000, cumulatively 11 percent since 1998.

11 Pricing has remained relatively flat since
12 2000 to date, but at historically very low levels.
13 HPI's cumulative aggression has resulted in
14 significant loss of unit volume and overall pricing by
15 our company, and the consequences of this pricing
16 history for our firm's operation have been discussed
17 by James Glenn.

18 Thank you.

19 MR. PERRY: Now I'd like to ask Calvin Scott
20 of Polder to speak.

21 MR. SCOTT: Good morning. My name is Calvin
22 Scott. I'm president of Polder. I've been with the
23 company for 16 years.

24 Polder is an importer, distributor and
25 marketer of upper end, non-electrical consumer

1 products sold under the registered Polder Home Tools
2 brand. Polder, Inc. has been operating since 1976 and
3 currently employs approximately 35 employees in our
4 Port Chester, New York, office and distribution
5 center.

6 One product category we participate in is
7 the design, marketing and distribution of the Polder
8 Home Tools brand of ironing boards and accessories.
9 Polder has been producing and importing ironing boards
10 from mainland China for more than 10 years. Polder
11 has been the leader in innovation by consistently
12 offering higher quality, featured loaded product,
13 particularly in ironing boards, at prices well above
14 the popular price point product produced domestically
15 in the United States.

16 The market has always viewed Polder as an
17 innovator of better made, better designed ironing
18 boards, while the domestic producers struggled to
19 improve their product at lower price points for larger
20 discount store chains.

21 Polder's primary channels of distribution
22 are big box specialty chains like Bed, Bath & Beyond,
23 Linens & Things and The Container Store, mail order
24 houses, home centers, hardware, warehouse clubs,
25 department stores, independent specialty stores.

1 Polder also supplies product to the hotel industry.

2 The complaint by HPI states that all ironing
3 boards are alike and that the promotional T-leg
4 ironing boards produced domestically and in China make
5 a comparison that is representative of all ironing
6 boards in the market, whether produced domestically or
7 imported from China.

8 This simply is not the case. The total
9 ironing board business is broken into different
10 subcategories: One, entry level, promotional or
11 opening price point, typically \$10 to \$15 retail price
12 range. These typically are T-leg ironing boards
13 mostly sold on promotion and sometimes as a loss
14 leader by the retailer.

15 Two, standard ironing boards, which are 54
16 inch ironing surfaces with four legs typically sold in
17 the \$20 to \$25 price range. These boards tend to be
18 larger than the T-leg product with four legs, but
19 don't offer any features beyond the T-leg product
20 other than size and strength.

21 Three, what we call mid price, the \$30 to
22 \$50 price range at retail. These products offer wider
23 or larger sizes, heavier construction and usually have
24 one or more additional features included in the
25 construction such as an iron rest, cord holder or

1 clothes rack that the lower priced categories don't
2 offer.

3 Four, finally, the upper end, which
4 typically sell in the \$75 to \$120 retail price range.
5 These products offer the widest ironing surface with
6 plush pads and covers, multiple built-in features,
7 chrome legs and metal parts, built-in extension cords
8 for irons, basically all the bells and whistles.

9 Each category has a different degree of
10 importance depending on the retail or other types of
11 distribution channels. Buyers plan their businesses
12 around each category. T-leg opening price points tend
13 to be promoted at low prices during the back-to-school
14 season as a necessity for college bound students,
15 while mid priced to upper end products are targeted
16 year round to more affluent consumers who desire more
17 feature loaded products. Commercial customers, such
18 as hotels, tend to buy a lower priced product as an
19 accommodation to the guests staying at their property.

20 Retailer types or channels also play a major
21 role in determining how each category is focused or
22 sold in the market. Mass merchants such as Wal-Mart,
23 K-Mart and Target sell more product at the lower
24 priced categories compared to mail order houses and
25 retailers like Bed, Bath & Beyond who cater to more

1 affluent consumers who perceive the higher quality,
2 more feature-loaded product to be greater value even
3 though they carry higher retail price points.

4 There has been a trend during the past
5 couple of years for some mass merchants to expand
6 their ironing board assortment into the mid price
7 range. An example of this is an introduction of the
8 Martha Stewart range at K-Mart. This range is
9 produced in China exclusively for K-Mart by HPI. Each
10 category sells to different users whose perceptions of
11 products differ based on quality, function, features
12 and price.

13 Some retailers tie or bundle ironing board
14 sales into sales of other products. For example, one
15 customer of ours will be giving away one free T-leg
16 ironing board supplied by Polder with the purchase of
17 an upper end iron it's selling on promotion.

18 Although Polder offers for sale a T-leg
19 ironing board with pad and cover produced in China, we
20 focus most of our efforts selling product in the
21 standard to upper end categories. We find that we
22 cannot compete at margins that sustain profitability
23 on the Chinese T-leg product when selling against
24 similar product made domestically by HPI.

25 Most of the mid priced to upper end products

1 sold in the U.S. market are produced in China and
2 enjoy a relatively level playing field where the
3 retail effect is in design, innovation, function and
4 brand rather than just price when making a purchasing
5 decision.

6 We have participated in reverse auctions for
7 many different products and have found that price is
8 not always the ultimate influence on decision. We
9 have found that the business is not always awarded as
10 a result of these auctions and that price is not the
11 sole consideration in the award of business. In
12 addition to price, the retailer purchasing products
13 often also looks at brand, quality of the product, the
14 importer's ability to meet specifications, the
15 reliability of the importer and the relationship it
16 has with each importer.

17 We have found that the reverse auction
18 process in our situation has been used as a means for
19 the retailer to force an incumbent wholesaler to lower
20 its price. In the one reverse auction for several
21 types of ironing boards in which we participated, we
22 were unable to submit a competitive bid on the T-leg
23 business. Our Chinese product simply could not
24 compete with the lowest bidder for that low-end brand
25 or low-end board. I believe that HPI submitted the

1 lowest bid because it was awarded the T-leg business.

2 In the same auction for boards, we submitted
3 a bid to supply higher quality, four-legged boards
4 that was not the lowest. We were awarded the
5 business, however, I think for two reasons. We had an
6 existing relationship with the retailer, and we were
7 able to offer a better value as the supplier of
8 ironing boards and other products to the retailer.

9 Importers like Polder have always brought
10 change to the market by offering innovation, quality
11 and features that go beyond what was being produced by
12 domestic manufacturers. The innovation and creativity
13 we bring to the market enhances competition and gives
14 the consumers choices they never had before.

15 Do not penalize the creativity, innovation
16 and hard work we bring to the market by attaching
17 antidumping duties to our products. This would be
18 unfair to Polder, our employees, our customers and the
19 consumer. Thank you.

20 MR. PERRY: Mike Kellogg of Bajer?

21 MR. KELLOGG: Good morning. My name is
22 Michael Kellogg. I'm president of Bajer Design, which
23 is located in Wisconsin. Bajer has been in business
24 since 1987. We entered the laundry and cleaning
25 products business 11 years later in 1998. I have been

1 with the company since its inception.

2 Our primary products are laundry hampers and
3 sorters, ironing board covers and pads, laundry bags
4 and ironing boards. These products account for 75
5 percent of our business. The other 25 percent of our
6 business is juvenile toys. Ironing boards constitute
7 approximately 12 percent of our total business.

8 The primary focus of the laundry and
9 cleaning products line is selling proprietary products
10 with unique features. These products include pop-open
11 laundry hampers and sorters, expandable metal hampers
12 and specialized ironing board covers. However, in
13 order to sell these specialized products some of my
14 customers require that I carry a full line of laundry
15 products. For that reason, Bajer also sells ironing
16 boards. All of our products are made in China.

17 When Bajer entered the ironing board
18 business in 1998, the low pricing levels that continue
19 to exist today were already established by HPI.
20 Through 2000, HPI led prices to an even lower level.

21 As an importer of T-leg ironing boards
22 manufactured in China, I found it difficult to compete
23 against the prices set by domestic manufacturers. In
24 order to meet the prevailing ironing board prices, we
25 had to sell at very slim margins, sometimes at our

1 cost. We refused to bid on business if it was below
2 our import cost. Even though Bajer was unable to
3 generate profits in selling T-leg ironing boards for
4 certain accounts, it was necessary for us to continue
5 to offer this product because our customers required
6 us to sell a full line of products.

7 A portion of our market requires a single
8 source supplier for the entire laundry category.
9 Thus, in order for us to sell our proprietary products
10 on which we earn higher margins, we have to sell
11 ironing boards to fill out the product line, even
12 though we don't earn much profit on these boards due
13 to HPI's low prices.

14 This practice is referred in our industry as
15 bundling. By bundling, a company is able to cost
16 average by selling some products at low margins in
17 order to sell other products at higher margins.
18 Overall profit is based upon the sale of the entire
19 bundle. The profit margins of individual items within
20 the bundled product line are not as important.
21 Because of this, prices on a per item basis are
22 artificial and cannot be compared in a meaningful
23 manner.

24 When we first entered this market in 1998,
25 there were two companies that I am aware of that

1 imported small volumes of T-legs from China. That was
2 Bajer and Ironees. We sold our imports at prevailing
3 prices established by HPI. The Chinese imports had no
4 impact whatsoever on prevailing market prices.
5 Through the present period, even though imports from
6 China have increased, these imports have not affected
7 the prevailing prices set by HPI.

8 Thank you.

9 MR. PERRY: Now I'd like to ask Richard
10 Boltuck of Charles River Associates to speak.

11 MR. BOLTUCK: How much time do we have?

12 FEMALE VOICE: Thirty-three minutes.

13 MR. BOLTUCK: Okay. Thank you.

14 Good morning. I am Richard Boltuck, vice
15 president of Charles River Associates, and I am
16 pleased to appear on behalf of Respondent importers
17 Whitney Design, Inc., Polder, Inc., and Bajer Design &
18 Marketing, Inc.

19 I have been asked to review from an
20 analytical economic perspective the Petitioner's
21 theory about how imports of subject ironing boards
22 from China are allegedly causing material injury,
23 focusing particularly on why U.S. production capacity
24 contracted in the spring of 2002.

25 Absolutely central to the overall causation

1 theory presented by the Petitioner, Home Products
2 International, HPI for short, is its contention that
3 imported ironing boards from China caused Whitney
4 Design to shut its U.S. production facility in St.
5 Louis in April of last year, yet, given the chronology
6 of events that you have heard today from James Glenn
7 and Mark Brown of Whitney Design, it is utterly clear
8 that nothing could be further from the truth.

9 To be sure, the Petitioner offers various
10 other theories, but there should be no doubt that
11 without Whitney Design's exit from the U.S. industry
12 15 months ago we would not be here today.

13 HPI cannot allege injury transmitted through
14 imports of subject higher end boards made of chrome
15 offering larger surface areas, more stability, better
16 construction and various bells and whistles since HPI,
17 like other suppliers in the United States, imports
18 most such boards from China and has done so for years.

19 HPI's basic theory is both simple and, as I
20 will explain in a moment, also simplistic and wrong.
21 According to this theory, Whitney Design stopped
22 manufacturing in the United States and subsequently
23 replaced some of its U.S. production with imported
24 Chinese ironing boards, ergo in HPI's view cause and
25 effect. Imports from China caused the closure of U.S.

1 capacity and, hence, injury to the U.S. industry.

2 The major problem with this simplistic
3 theory, however, is that it reverses the true cause
4 and effect. For reasons unrelated to imported ironing
5 boards, Whitney Design closed its capacity, and, as a
6 consequence of losing its U.S. production, it began
7 importing.

8 In order to reach an affirmative
9 determination, the Commission must, of course,
10 conclude that imports caused injury, not that some
11 factor such as U.S. production capacity that might be
12 an indicia of injury under appropriate circumstances,
13 such as contracting U.S. capacity, caused the imports
14 as has happened in the ironing board market.

15 What you have learned from our witnesses
16 today is that Whitney Design shuttered its U.S.
17 facility in 2002 because it could not operate
18 profitably in light of aggressive pricing by HPI
19 beginning in the late 1990s following 1997 and
20 culminating in a relatively stable, but much lower,
21 set of price points by about 2000.

22 We will submit detailed evidence in our
23 post-conference brief showing the dramatic declines in
24 pricing on low-end T-leg and basic four leg boards
25 over this period, but an index version of these data

1 are depicted in my Chart 1, which has already been
2 distributed, and I ask you to receive it as an
3 exhibit.

4 These data illustrate that pricing dropped
5 dramatically through 2000 and then fluctuated within
6 tighter bounds after that, including in 2002, the year
7 in which low-end ironing boards from China first
8 entered the U.S. market in commercially significant
9 volumes.

10 The impact of HPI's aggressive pricing
11 pattern on Whitney Design's St. Louis production
12 operations, which manufactured these low-end boards,
13 was severe. Together with various adverse trends in
14 demand for these low-end products, which I will
15 identify in a moment, trends which were of lesser
16 importance, HPI's aggressive pricing ultimately led to
17 the closure of Whitney's facility.

18 Whitney Design followed HPI's price down to
19 keep some accounts, but sometimes lost business to
20 traditional customers when it failed to fully meet
21 HPI's offer. As a result of its declining market
22 share and production, Whitney's capacity utilization
23 fell sharply.

24 Although in the short run through much of
25 2001 Whitney's U.S. production covered its variable

1 costs and thus made a positive contribution to the
2 bottom line, in the longer run the excess overhead
3 spread over fewer production units had a devastating
4 effect.

5 As economists say, all costs are variable in
6 the long run. This means that over time Whitney had
7 to face plant maintenance and equipment replacement
8 costs, and at that point the new lower unit revenues
9 and the lack of concrete prospects for higher prices
10 could not justify the continued U.S. production in St.
11 Louis. As a result, Whitney closed its facility in
12 2002.

13 Importantly, this decision was not
14 predicated in the least on the potential availability
15 of imports of similar low-end boards from China, but
16 would have been implemented even if such imports were
17 entirely unavailable since it didn't make sense to
18 operate the St. Louis facility at prices below
19 incremental cost.

20 That Whitney began importing mitigated the
21 harm the company was suffering, but by no means more
22 than offset it entirely. Because of the high cost of
23 ocean freight, imports from China are also costly in
24 relation to the price points set by HPI, which
25 dominates the U.S. market, and thus they are barely

1 profitable.

2 Participants in the U.S. houseware products
3 market need to offer a full line of products,
4 including ironing boards. Moreover, as the witnesses
5 from Whitney have explained, Whitney's former work
6 force has dissipated and found new jobs, and Whitney
7 has sold its productive facilities. At today's
8 formidable plant replacement cost and the cost of
9 reassembling a skilled labor force, Whitney would not
10 resume U.S. production under any plausible future
11 market conditions.

12 Thus, the linkage works in the opposite
13 direction from that postulated by HPI in its petition.
14 HPI's pricing of its U.S. produced boards led to the
15 Whitney plant closure, which in turn led to an
16 increase in imports from China. In your questions,
17 please ask our company witnesses for any facts related
18 to this closure decision that you feel should be part
19 of the record.

20 Why did HPI undertake such aggressive
21 pricing beginning in 1997 and 1998 driving Whitney out
22 of U.S. production? In truth, we can't tell for sure,
23 but two plausible and mutually exclusive economic
24 reasons are possibilities. When we examine these two
25 possibilities, it is apparent that each indicates,

1 albeit for different reasons, that the injury claims
2 made here are spurious.

3 Consider possibility one. HPI might have
4 engaged in predatory pricing, dropping price in order
5 to eliminate competition and then seeking to recoup
6 profits through the subsequent exercise of monopoly or
7 near monopoly market power.

8 HPI did take prices below Whitney's
9 production cost and maintained them there for several
10 years at a time when Whitney Design was most
11 susceptible because it was in the midst of financing a
12 management takeover through company cash flow.

13 Whitney, the only other U.S. producer,
14 historically did cease producing in the United States,
15 but for HPI's profit recoupment to really work HPI
16 would also have to deal with potential imports such as
17 those from China. For this purpose, the International
18 Trade Commission and the antidumping laws play a
19 central role as HPI seeks the cooperation of the
20 Commissioners at this very agency in enabling the
21 fulfillment of its scheme.

22 I think the ITC would agree with me that it
23 is an abuse of the antidumping laws to ask the
24 Commission to enable a predatory pricing strategy.
25 Now, I cannot prove through economic evidence that HPI

1 has engaged in predatory pricing, which brings me to
2 the second plausible explanation.

3 Consider possibility two. HPI has simply
4 engaged in hard, cost-driven, competitive pricing in
5 which case it is charging marginal cost based prices.
6 In this event, if this possible explanation is
7 correct, then HPI cannot now complain of being in poor
8 health or being injured by the imports since variable
9 production costs have been relatively stable in recent
10 years and since prices have fluctuated randomly within
11 a relatively small band since 2000, as illustrated in
12 Chart 1.

13 Moreover, pricing did not decline during
14 2002, the year during which lower imports and imported
15 boards from China were introduced to the U.S. market.
16 Look at the U.S. industry's operating income margins
17 over the POI. Did they indicate continuing healthy
18 financial performance in light of the capital
19 intensity of this industry as indicated by, for
20 instance, the ratio of book value of assets to net
21 sales? Are the industry's operating income margins up
22 or down over the POI?

23 Is this petition driven by a need to dig the
24 industry out of peril, or is it driven by the greed of
25 a single firm that has no legitimate complaint about

1 its financial performance? Of course, the data are
2 subject to APO, and I can't discuss them in detail,
3 but we will review them in our post-conference
4 submission.

5 Thus, whether HPI's aggressive pricing is
6 explained by predation or just old-fashioned
7 competition, in either case this conduct is
8 inconsistent with any appropriate demand for
9 antidumping relief.

10 Now, I mentioned that other demand factors
11 also contributed to Whitney's inability to continue
12 U.S. production, and I will review them briefly.
13 First, the low-end of the U.S. ironing board market is
14 essentially satiated as consumers responded to
15 historically low post 2000 prices.

16 Second, lifestyle changes characterized by
17 greater use of wrinkle-free and wrinkle-resistant
18 clothing has resulted in less use of the existing
19 stock of ironing boards in the hands of consumers;
20 hence, less wear and tear on these boards and much
21 less replacement demand for new boards.

22 Third, the introduction of low-priced
23 substitute boards, such as door hanging boards or
24 tabletop boards, and the strong promotion of these
25 products through mass merchandise channels has

1 resulted in less demand for the floor-standing boards
2 under investigation today.

3 Finally, fourth, consumers are also shifting
4 up market, favoring higher end boards such as those
5 with chrome ironing surfaces and other high-end
6 features, many of which are sold by HPI itself.
7 These, too, are being much more heavily promoted
8 through mass merchandise channels today than in
9 previous years. Consumers are discovering that for a
10 few dollars more they can have a sturdier, more
11 durable and more stable product made of better
12 materials.

13 In addition, based on public information,
14 one of HPI's most significant customers is K-Mart,
15 which has downsized dramatically in the past year
16 without other mass merchandisers fully picking up the
17 lost volume. This, too, has hit HPI hard and cannot
18 be attributed to Chinese boards.

19 All of these recent trends have contributed
20 to less demand for low-end boards, the very products
21 that are the focus of HPI's complaint and at the core
22 of its principal causation theory. Reduced demand
23 characterized the broader market conditions in which
24 Whitney decided to close its plant.

25 These trends also help account for overall

1 industry performance, including changes in capacity
2 and capacity utilization and operating margins, though
3 even so the U.S. industry remains healthy today, as we
4 will explain in our post-conference brief.

5 Now, HPI also complains generally about
6 ordinary competition in the marketplace, pointing
7 especially to Target and its use of reverse internet
8 auctions. As Lisa Brumm, the buyer at Target, will
9 explain shortly, however, reverse auctions do not
10 amplify the significance of price-based competition
11 for products that have always been purchased on the
12 basis of innovation, differentiating features and
13 supplier reliability.

14 In fact, the low bidder does not always
15 receive Target's order. Reverse auctions are simply
16 an efficient use of technology in acquiring some of
17 the information that Target has always needed in
18 making purchase decisions, but the full range of
19 judgmental evaluation by buyers that has long
20 characterized this market takes place regardless of
21 whether reverse auctions are used or not. Otherwise,
22 how could Target offer its retail customers the
23 variety, quality and dependability that they have
24 always expected and demanded?

25 Turning to the interpretation of pricing

1 comparisons in this market, many purchasers demand a
2 full bundled product line from suppliers of laundry
3 products, including ironing boards, as you have heard
4 in Mike Kellogg's testimony this morning. Bundling is
5 simply one common way in which ironing boards are and
6 have been bought and sold for many years by all market
7 participants.

8 One effect of bundling is that it makes it
9 meaningless economically to speak of a single
10 definitive price of ironing boards which have been
11 sold in bundled transactions. The pricing data
12 collected through the questionnaire contains much
13 revenue generated as part of such transactions, and
14 consequently pricing comparisons have little, if any,
15 probative value.

16 The importers with whom I'm working believe
17 that fair comparisons of boards sold in unbundled
18 transactions show that the imported boards are priced
19 at least as high as those of HPI, and we will submit
20 evidence related to this point in our post-conference
21 brief.

22 Regarding Professor Bradley's implementation
23 lag, Professor Bradley's specific theory about an
24 implementation lag may seem attractive superficially,
25 but really doesn't make sense in light of the record

1 data.

2 According to HPI's own estimate of imports,
3 significant volumes of imports from China were
4 actually present and sold in the U.S. market in 2002.
5 As you can see from Chart 1 that I distributed, they
6 did not result in price decreases, yet Professor
7 Bradley asks you to accept on faith that imports sold
8 next year will show up in the industry performance
9 data in a significant way.

10 Why should you believe that next year's
11 sales of imports negotiated this fall will result in
12 price erosion when last year's negotiations for sales
13 this year had no such effect?

14 Finally going forward, steel cost increases
15 in China and \$1,000 per container freight increases
16 for shipments from China to the United States this
17 year are combining to make Chinese product less
18 competitive heading into the future. Freight per
19 piece has increased by a significant 52 cents per
20 piece as of June 1 of this year on a T-leg board.

21 I would be pleased to answer any questions
22 at the appropriate time. Thank you.

23 MR. PERRY: Matt?

24 MR. MCGRATH: Once again, good morning.
25 Good morning still. Matt McGrath of Barnes,

Heritage Reporting Corporation
(202) 628-4888

1 Richardson & Colburn representing Target Corporation.

2 Also accompanying me is our associate, David Forgue.

3 Our witness today will be Lisa Brumm, who is
4 the buyer for Target Corporation, who is involved in
5 this product line. Also accompanying us is Toni
6 Dembski-Brandl, senior counsel for Target Corporation.
7 We will all be available for questions afterwards.

8 MS. BRUMM: Good morning. My name is Lisa
9 Brumm, and I am the buyer at Target Corporation
10 responsible for, among other items, ironing tables and
11 boards. I have been with Target Corporation for the
12 last 18 years and in my current position for just
13 under two years.

14 We are very pleased to appear at the
15 conference and welcome any questions you may have. If
16 we are unable to answer your questions immediately, we
17 will do so in the post-conference submissions.

18 Target is opposed to the imposition of
19 antidumping duties on imports of ironing tables, and
20 for the reasons we will discuss here we believe there
21 can be no possibility of finding a causal relationship
22 between imports from China and any alleged harm to the
23 Petitioner.

24 We note that we use the term ironing tables
25 because the term appears to have been traded for this

1 case. However, in my experience, the market segment
2 is referred to as ironing boards, regardless of
3 whether they stand on the floor.

4 In any case, the market dynamics for this
5 product are not determined simply by considerations of
6 which commercially interchangeable product is the
7 cheapest. There are several non-price realities of
8 the retail environment that strongly impact buying
9 decisions and vendor relationships. I will mention
10 each here and then explain how each of them applies to
11 sourcing of ironing tables.

12 The first is the constant pressure to insure
13 that store guests have available to them the best and
14 most pleasing product mix possible. It is not
15 acceptable in the retail environment for guests to be
16 presented with identical products year after year.
17 Instead, Target has built its entire business on the
18 premise that price alone does not decide whether
19 companies will be successful.

20 Target's philosophy is to distinguish itself
21 from its competitors by providing highly
22 differentiated products, a superior product assortment
23 that provides outstanding value to our guests. Target
24 does not seek to provide in all cases the lowest
25 price, but rather the best value. Therefore, Target

1 continually tries to stay ahead of the industry
2 trends, offer additional features and remain aware of
3 our guests' fashion consciousness.

4 Target's guests are on average female with
5 some college education, earn over \$40,000 per year and
6 also shop at high-end department stores. These guests
7 more closely resemble those of mid tier retailers than
8 other mass retailers. This means that Target products
9 will provide value to its guests, but will not always
10 cost less than those of its competitors.

11 Therefore, our purchases and sales of
12 articles like ironing tables cannot be treated as
13 commodities, but rather as goods with design
14 sophistication that satisfies our guests and is not
15 reflected in the lowest price point.

16 From a buyer perspective, this design
17 sophistication and innovation is also important
18 because each buyer is responsible for a variety of
19 products. It is difficult for buyers to devote time
20 to product development type activities. This means
21 that a high premium is placed on vendor innovation and
22 attention to burgeoning trends in the market.

23 Second, once products begin arriving for
24 delivery to stores, there is very little opportunity
25 to correct any defects or other quality issues that

1 may arise. Therefore, reliable quality is also a
2 paramount consideration in vendor relationships.

3 It must be recognized that with respect to
4 product quality and selection, Chinese ironing tables
5 are nearly all of mesh design and continually
6 improving in terms of value and added features. In
7 our experience, when we have tried to purchase quality
8 from HPI the company has repeatedly indicated that
9 they would have to source this from China.

10 This major shift in quality, as well as our
11 purchasing decisions, are reflected even in HPI's own
12 marketing brochures which highlight the consumer trade
13 up from perforated top to mesh top ironing tables.

14 In essence, the Chinese industry is
15 supplying a different product to the U.S. market, mesh
16 top metal ironing tables, which are an alternative and
17 improvement over the traditional perforated top table
18 made almost entirely by the domestic industry. The
19 availability of this product and its added components
20 and not simply the lowest offered price is what Target
21 seeks regardless of whether the sale is by direct
22 relationship or so-called reverse auction.

23 This raises a point regarding a process that
24 has arisen, the reverse auction. We would like to
25 clarify the facts regarding Target's use of this tool.

1 First, we believe that the term reverse auction is not
2 completely accurate. We believe that a better
3 understanding of this process is to consider it as a
4 form of electronic sourcing, which is the culmination
5 of a considerable amount of research and advanced
6 qualification.

7 For instance, each e-sourcing event
8 discussed in our questionnaire response reflected
9 months of advance preparation. Thus, Target utilizes
10 the reverse auction as a means of gathering an entire
11 range of value data. As such, even in a reverse
12 auction scenario Target is comparing a range of
13 factors that reflect value, not just price. Because
14 these factors are confidential to Target, we will
15 discuss them more fully in our post-conference brief.

16 Of course, once a product of sufficient
17 quality and potential sources has been identified, the
18 overall value of a bid can be considered. This is
19 reflected by the fact that Target has conducted
20 reverse auctions in which the company apparently
21 bidding the lowest price did not receive the order.

22 Third, innovation is extremely important.
23 Petitioner has correctly described ironing boards as a
24 mature market. However, what they failed to recognize
25 in their petition is that in a mature market

1 innovations become all the more important for
2 differentiating product.

3 Examples of such innovations presented by
4 companies other than HPI include structural design
5 enhancements to make the tables more stable, including
6 improved leg stance design and better quality under-
7 table framework designs, as well as rubber or plastic
8 tips to provide comfort to the user's hand when
9 expanding and collapsing the boards, the use of mesh
10 instead of perforated tops to provide a faster ironing
11 surface even for our lower end boards. In none of
12 these cases did HPI recommend products to Target with
13 these innovations without Target asking directly for
14 them.

15 Finally, it is worth noting that Petitioner
16 has patent protection for over-the-door models of
17 ironing boards which overlap in competition with
18 ironing tables. To the extent this patented product
19 serves the same market, Petitioners have benefitted
20 from even higher revenues and profits in their overall
21 product line than ironing tables alone.

22 Thank you for your attention. We will be
23 available to respond to questions either today or in
24 the post-conference submission.

25 MR. MORGAN: Good morning. My name is Frank

Heritage Reporting Corporation
(202) 628-4888

1 Morgan. I'm with White & Case. I'm joined with our
2 trade consultant, Keir Whitson. We are here today on
3 behalf of Since Hardware, a Chinese producer and
4 exporter of subject merchandise. Since believes that
5 they are the largest Chinese producer and exporter to
6 the United States.

7 My remarks will be brief and will focus on
8 the planned capacity increase reported in Since's
9 foreign producer questionnaire response. As you can
10 see at response to Question 2-1, the planned expansion
11 is designed for markets such as the EU, Canada, Japan
12 and South America.

13 Since does not project a significant
14 increase in shipments to the United States in 2003 or
15 in 2004. In fact, in 2004, after the capacity
16 expansion comes on line, you will see in their
17 response to Question 2-7 that the shipment levels to
18 the United States are about the same as in 2003.

19 Most, if not all, of the planned capacity
20 expansion or, rather, the projected increase in
21 shipments to the United States are based on what Since
22 believes will be increased orders placed on them by
23 the Petitioners. Indeed, the Petitioner is already
24 one of the largest importers from Since.

25 Since's response to Question 2-7 also shows

1 that they could have filled their existing commitments
2 to the United States through their existing capacity
3 and in fact are adding this capacity for their planned
4 entrance into South America and the other markets I
5 just mentioned. We will try to get this information
6 containing their projections for these other markets
7 in our post-conference brief.

8 Finally, as you can see from Since's
9 questionnaire response, it is operating at very high
10 rates of capacity utilization. It is projecting that
11 it will continue to do so. The ending inventories
12 have been low and have declined throughout the POI and
13 are projected to remain low in 2003 and 2004.

14 In short, we believe that once the
15 Commission gathers the information in this
16 investigation it will find that based on the
17 traditional threat factors there is no threat of
18 injury.

19 Thank you.

20 MR. MCGRATH: I think that concludes our
21 presentation.

22 MR. CARPENTER: Okay. We have one
23 additional witness for Respondents. Mr. Lehrman, do
24 you have a microphone?

25 MR. LEHRMAN: My name is David Lehrman. I'm

1 president of Ironees Company. We have been in
2 business for 54 years.

3 The Petitioner has consistently and
4 voluntarily dumped ironing tables and wooden clothes
5 dryers to retail at \$9.99, as well as tabletop ironing
6 boards to sell at \$4.99 or less. We cannot compete
7 with these U.S. made products by HPI. This occurrence
8 was during the year 2001 and earlier, which is a
9 dichotomy between their remarks that this all started
10 in 2002. We were having problems with HPI in 2001 an
11 earlier.

12 Also, the remark was made that there is
13 little difference in quality between a perforated top
14 ironing board and a mesh top ironing board. I wish to
15 state that the mesh top ironing board is deemed by the
16 trade to be definitely of a better quality.

17 We challenge the Petitioner to name any
18 retailer in the United States to prove that Ironees
19 dumped ironing tables. They are not going to have any
20 opportunity to do that because we never dumped ironing
21 tables.

22 All of our prices are higher than the
23 Petitioner. We have been importing from China
24 primarily for 20 years and have never seen any
25 particular escalation or reduction of their prices

1 that could possibly affect the marketplace.

2 Furthermore, there are no secret meetings or
3 price fixing with any of our competitors. Our sales
4 of creative and patented ironing tables are very
5 limited because we cannot compete with Home Products
6 International. This contradicts the remarks of HPI,
7 who claim that the imports from China are of a low
8 quality or a low level. This is definitely not true.

9 Sales of ironing tables are primarily
10 impulse. The consumer generally does not shop these
11 prices. She buys it on impulse when she's in an aisle
12 in the supermarket or in a discount store when she's
13 going around shopping. This product is bought on
14 impulse and not on price comparison.

15 I think it is well established here that HPI
16 has extremely low prices in the United States, but
17 what has not been brought up is they have even lower
18 prices when they export the same items outside of the
19 United States. It's hard to believe that they would
20 do that, but they do. They have much lower prices
21 when they export rather than their low prices already
22 in our domestic market.

23 In addition to Home Products' low prices,
24 the Petitioner also provides placement money, rebates
25 and advertising allowances to retailers, which our

1 company does not offer at all. We would strongly
2 recommend that the appropriate federal authority audit
3 the books of Home Products International with regard
4 to money paid out to secure business and money paid
5 out to prevent the loss of business.

6 All of our ironing board coverings -- not
7 the tables; all of our coverings -- are made in
8 Philadelphia, whereas the Petitioner's are made in
9 Mexico or China. We have no plans to ever make those
10 products anywhere but in our facility in Philadelphia.

11 The absurd, ridiculous petition is ludicrous
12 and completely without any merit whatsoever and
13 typically shows the poor judgment on the part of Home
14 Products. The Petitioner should repay all of the
15 expenses of each of the competitors here, as well as
16 the cost involved with the United States International
17 Trade Commission. I feel everybody should be
18 reimbursed for this entirely frivolous claim.

19 Thank you.

20 MR. CARPENTER: Okay. Thank you to the
21 entire panel for your presentation. We appreciate
22 your appearing and being here today.

23 Ms. Burns?

24 MS. BURNS: I was just curious on how much
25 the hotel industry accounts for sales of ironing

1 boards?

2 MR. GLENN: We also share in the hotel
3 industry. We do a quite significant volume in that
4 category.

5 I would agree with what Mr. Graves said. It
6 is all primarily in the opening price point T-leg
7 category. There's a few exceptions, but primarily
8 it's in that category.

9 If you would like some specific statistics
10 of what our volume is, I'm sure that Mr. Scott and
11 myself could provide that to you in the post brief.

12 MS. BURNS: Just a percentage.

13 MR. GLENN: Yes. We do a substantial volume
14 in the hotel industry also.

15 MS. BURNS: Okay. Thanks.

16 MR. CARPENTER: Ms. Hughes?

17 MS. HUGHES: If someone could explain to me
18 why the industry would consider or the retailers would
19 consider mesh ironing boards superior to the
20 perforated tops?

21 MS. BRUMM: A mesh ironing board surface
22 allows steam to penetrate through more easily,
23 providing a faster ironing surface. You can complete
24 your ironing job more quickly.

25 MR. LEHRMAN: Can I also respond to that,

1 please?

2 The perforated top does not allow for the
3 complete escape of moisture. Consequently, there is
4 an accumulation of rust on those perforated tops,
5 whereas the mesh top freely allows the total
6 evaporation of all the steam and the moisture in the
7 ironing process. Therefore, if the steam evaporates
8 quickly ironing goes faster also.

9 MS. HUGHES: Thank you.

10 MR. MCGRATH: If I could just add one point
11 on that? As far as we understand it, all of the
12 imported product that's being discussed here today is
13 mesh top. The domestic product traditionally has been
14 primarily the perforated top.

15 MS. HUGHES: Thank you.

16 MR. GLENN: One other statement to that.
17 You have to stretch a little bit to get there.
18 Remember, today the consumer doesn't pay a dramatic
19 amount of attention. I would agree with absolutely
20 everything they said.

21 However, when you have a product sitting on
22 the retail shelf with the cover and pad applied on it,
23 you have to have a consumer that is really interested
24 before it makes a big difference. The products sit
25 side by side on the shelf. It is somewhat a challenge

1 to differentiate the differences.

2 MS. HUGHES: But the mesh would be costing
3 more than the perforated, I imagine?

4 MR. GLENN: I beg your pardon?

5 MS. HUGHES: I imagine the mesh board would
6 cost more than the perforated board sitting side by
7 side?

8 MR. GLENN: No, ma'am.

9 MS. HUGHES: Not necessarily?

10 MR. GLENN: Not at all. They're basically
11 marketed at the same price point.

12 MS. HUGHES: Okay. Thank you.

13 I know Ms. Brumm and Mr. Scott talked about
14 the reverse auctions, so this question is primarily
15 directed towards them, but, you others, if you have
16 experience I'd appreciate you weighing in as well.

17 How many reverse auctions, or auctions if
18 you will, whatever you want to call them, have you
19 participated in roughly?

20 MR. SCOTT: We've participated in about
21 three or four of them. Not all ironing boards. It
22 ranges across. We sell a wide range of different
23 products, and it has not always been ironing boards.
24 One ironing board auction.

25 MS. HUGHES: And I think it was you who had

1 stated that the lowest price does not always win.

2 MR. SCOTT: That's right.

3 MS. HUGHES: Could you give me a rough
4 percentage of how often that might be?

5 MR. SCOTT: I would have to go back and look
6 at the data and give you an exact percentage. On the
7 ironing boards, the auction that we participated in I
8 believe it was two of the products that we acquired
9 were not the lowest bid out of about six items.

10 MS. HUGHES: Thank you.

11 Ms. Brumm, would you like to respond?

12 MS. BRUMM: I've participated in three
13 reverse auctions for the category of ironing boards
14 and several others for other categories.

15 MS. HUGHES: And does the lowest price most
16 often win?

17 MS. BRUMM: Most often, but not always.

18 MS. HUGHES: Does anyone else care to weigh
19 in on this?

20 MR. GLENN: We've participated in several
21 also, and I think I would just agree with what they
22 have both said. It's not always the lowest price.

23 It's a very difficult process to go through
24 because I think the point is it's very concentrated;
25 not so much different than a normal line review

1 process. It's just done within hours instead of
2 months.

3 It's a very grueling exercise, I think
4 everyone would agree. In frank terms, at the end of
5 the day it's the same process. It's just a very
6 concentrated process.

7 MS. HUGHES: Do you expect that it's going
8 to replace the line review, or is it something that's
9 existing in tandem with the line review?

10 MR. GLENN: My opinion is that it probably
11 will not take away the existing line reviews today
12 because there's too many other factors that are out
13 there.

14 Target is a very sophisticated company, and
15 they have spent a great deal of time developing this
16 process. It's not a simple thing of calling up a few
17 vendors and saying okay, be ready and get prepared.
18 We're going to have a computer auction on Thursday.
19 This is a long process that they go through to get
20 prepared for this thing.

21 Many customers, A, don't have the resources
22 to do that. Others, frankly, don't want to invest the
23 resources in doing it. Target does, and they've been
24 relatively successful at it.

25 I think it's moreover not necessarily a

1 buying method as it is the methodology that the
2 retailer wants to use. I don't know if you agree,
3 but --

4 MS. BRUMM: I would like to also comment.
5 We are still going through all of the steps that we
6 have in the past with traditional line review as a
7 part of the reverse auction, so it really is just
8 another way of handling a line review process.

9 We're still looking at the product, the
10 features, the quality, weighing all those things, so
11 conversations that in the past took a long period of
12 time, several phone calls, e-mail communication, that
13 whole part of the conversation about price now happens
14 differently, but the whole process is really the same.
15 We go through all of the same steps that we do with
16 reverse auction and traditional line review.

17 MS. HUGHES: Thank you.

18 Chart 1. I think this is Mr. Boltuck's
19 chart. If you could explain to me what the difference
20 between heavy T-leg, the naked T-leg and the all other
21 categories are?

22 MR. BOLTUCK: Well, these are the products
23 that are the low end of the ironing board market.
24 They are the products that are sold by Whitney Design.
25 Of course, they are sold in other variations and

1 differentiated form by other suppliers as well, but
2 I'd like to ask James Glenn to more specifically
3 define the products that are on the list.

4 MR. GLENN: We're trying to make this, if
5 you will, confidential so it's a little bit difficult.
6 Let me just take the categories.

7 T-leg is T-leg. I think everybody
8 understands what a T-leg is. Four leg. I bundle, if
9 you will, popular price point ironing boards with
10 T-legs and four legs because those are the popular
11 price points let's say under \$20. A four leg may
12 typically sell at \$19.99, a T-leg in the \$12 range.
13 Those are popular price points.

14 A heavy T-leg was just one of our customers
15 purchased that, and we had the information split out.
16 We lost that in a, if you will, price war with our
17 competitor, and that product stopped. It was nothing
18 different than the product you see over on the wall
19 over here except instead of having an inch and an
20 eighth leg, it had an inch and a quarter leg, which is
21 a bigger, larger leg. That's all it amounted to.

22 Same story with the naked T-leg. A naked
23 T-leg is simply an ironing board that was sold without
24 a cover and pad installed. That again was a pricing
25 battle we had with our competitor, and we lost that

1 volume. All others really is the high end. We could
2 redefine that as being the --

3 MS. HUGHES: So where it says T-legs here,
4 they had covers and pads sold?

5 MR. GLENN: Yes.

6 MS. HUGHES: Okay.

7 MR. GLENN: The majority of the market,
8 almost to the point of -- I'm going to pull this out
9 of the air -- 95 percent of the market today is cover
10 and pad installed.

11 MS. HUGHES: Okay. I asked of the
12 Petitioner certain legal type questions, if you will,
13 that I would ask you also to respond to in the post-
14 conference brief, mainly how would you define the
15 domestic like product; would you find one like
16 product, several, including pads and covers; whether
17 T-leg are different from the four leg, all that sort
18 of thing.

19 Whether you think the finished like product
20 analysis should apply and, if so, why; if there's a
21 business cycle involved then explain. You can just
22 tell me if you agree or not; whether the seasonality
23 of the production is with respect to geared towards
24 going back to school, that kind of thing; and if you
25 could also address the facts that the Commission must

1 evaluate in making this actual decision, the volume,
2 pricing, imports, factors that relate to the statutory
3 requirements, and also the threat of material injury.

4 Thank you very much.

5 MR. CARPENTER: Mr. Benedetto?

6 MR. BENEDETTO: Thank you for your
7 testimony. I have a couple quick questions.

8 There were some references to a few large
9 purchasers, Ames and Bradley's, leading the market. I
10 was wondering. When did they exit the market, and how
11 significant were they? When did Ames and Bradley's
12 stop buying ironing boards or ironing tables?

13 MR. BROWN: Starting with Bradley's, I
14 believe that was -- let me get my information here. I
15 believe they exited the market in -- excuse me.

16 Bradley's exited the market or filed Chapter
17 11 in 1999 and then exited, liquidated the following
18 year. Ames filed Chapter 11 in 2001 and exited last
19 year.

20 MR. BOLTUCK: I just want to point out that
21 in the chronology that Mark went through in these
22 examples, these are representative examples. He
23 selected them precisely because these retailers no
24 longer exist, so he could discuss them by name without
25 offending anyone, but they were typical of the kind of

1 competition that was taking place.

2 I mean, you can't have dramatically
3 different price trends for different retailers, so
4 they are representative of what was going on in the
5 market over that period.

6 MR. BENEDETTO: Were they significantly
7 large purchasers of these compared to --

8 MR. BOLTUCK: They were also larger
9 purchasers, yes.

10 MR. BENEDETTO: So there are significantly
11 fewer purchasers now than there were a few years ago?
12 Would that be correct to say that?

13 MR. PERRY: One of the things I might add is
14 that we mentioned in our statement, but it also was a
15 body blow to HPI when they lost K-Mart. K-Mart is
16 going through reorganization now, and the number of
17 stores has gone way down.

18 James, you may want to say something about
19 that.

20 MR. GLENN: I mean, I think it's pretty
21 public knowledge, the trials and tribulations that
22 K-Mart has. HPI hasn't lost them. They still
23 certainly have a 100 percent market of the K-Mart
24 volume in ironing boards. Obviously it stands to
25 reason that that is a dramatic decline. Public

1 knowledge.

2 MR. BENEDETTO: I see mentioned in several
3 places different types of T-legs or different types of
4 four legs. How often do different types of T-legs
5 compete with each other? Is it basically are we
6 seeing the same price for different types of T-legs?

7 MR. GLENN: I think that the chart here is a
8 little confusing in terms of different kinds of
9 T-legs. There is a significant difference between a
10 naked T-leg and a cover and pad T-leg for sure. I
11 mean, the average consumer walks up to the shelf, and
12 they can see one doesn't have a cover and pad and the
13 other one does.

14 When you get into any other types, whether
15 it be a perf top, a mesh top, from a pure price
16 offering there's not any differences. A
17 differentiation would be whether it has a cover and
18 pad on it.

19 You know, a traditional ironer who has very,
20 very good experience in the ironing process
21 understands that a mesh top ironing board would work
22 faster for them. If you look at the majority share of
23 ironing boards -- take your own use of an ironing
24 board yourself -- most today I think are used for
25 touch-up ironing.

1 Does that consumer really, really care about
2 the ironing process, et cetera, et cetera? You really
3 have to put T-legs into its own basket.

4 MR. BENEDETTO: And the same for four legs,
5 more or less?

6 MR. GLENN: The four legs are the same, yes.

7 MR. BENEDETTO: And T-legs and four legs
8 compete with each other pretty commonly?

9 MR. GLENN: Well, they compete. The
10 consumer goes to the shelf to buy an ironing board,
11 and I would agree with the comment made that it's an
12 impulse purchase. I think a very, very high
13 percentage are impulse purchased.

14 The consumer may go to the shelf and look at
15 a T-leg ironing board and say well, that's what I have
16 at home, and it's wobbly. I'm going to upgrade this
17 time and go to a four leg that provides more
18 stability.

19 In that sense, they compete for the business
20 of the consumer, but in relative terms they don't
21 compete a lot with one another. Usually a retailer
22 would carry a T-leg board with a variety of covers on
23 it, but not different kinds of T-legs.

24 In very rare circumstances do we compete
25 with HPI inside a store. We compete for the business,

1 and in some cases we split the business at retailers,
2 but we don't compete head to head, T-leg for T-leg,
3 inside a store. It's normally us or them.

4 The same thing holds true for the four leg.
5 Some differences. There could be an iron rest on a
6 four leg or not an iron rest or something like that
7 that could have an impact, but four legs are four
8 legs, and T-legs are T-legs, and they're only
9 competing for the "sale."

10 MR. BOLTUCK: Yes. Thanks, Bill.

11 I just want to clarify one point about
12 product differentiation and innovation in this market.
13 It's certainly true that, you know, if you buy an
14 ironing board for much of a lifetime you make one
15 purchase.

16 The final consumers are not really experts
17 on the kinds of differences, many of the kinds of
18 differences that exist in these boards and the
19 incremental innovations that are constantly taking
20 place, but they do trust the retailer to provide them
21 with the best product and products that reflect what
22 technology allows and what the market produces.

23 That's why someone like Lisa at Target is as
24 important as she is because she is an expert on the
25 differences and the innovations, and she's seeking to

1 serve her customers by taking these differences into
2 account so her customers don't have to be experts.

3 MR. BENEDETTO: One last question. When
4 ironing boards are bundled with other goods, as
5 several people said, in a sale, how important are
6 ironing boards as part of the total sale? Is that a
7 critical part of the total bundle?

8 MR. GLENN: Well, you have to look at the
9 sheer volume that a T-leg ironing board and, as I
10 think everybody, including the Petitioner, commented
11 that the T-leg is the premiere volume driver in the
12 ironing board category, so it is important. I mean,
13 there's no question that that price is important.

14 We look at bundling obviously a little
15 differently than the retailer does. In those
16 customers, and again it's a piece of the market. It's
17 not the dominant market. The bundling comes in
18 whenever you've got a customer that just stands up and
19 says we're going to have one supplier. We're not
20 going to deal with three or four laundry suppliers.
21 We want one person, and you guys go fight the battle
22 and see who's going to win it.

23 Then after, you know, during the negotiation
24 process they come in, and they are looking at product
25 for the most part on an individual product basis, and

1 what happens is they'll say well, Wal-Mart is doing
2 this. Target is doing this. We are a lot smaller
3 retailer. We need to be in competition with them.

4 Our freight cost is higher. Our operations
5 is higher, whatever the case may be. They want to get
6 that T-leg ironing board price down so that they can
7 compete with a visible, if you will, item. Therefore,
8 they are more interested in what a T-leg ironing board
9 may cost than what a hamper, a laundry bag, a pad and
10 cover, whatever, that is less promoted, less visible
11 to the advertised market.

12 That's where the bundling comes in. The
13 retailer may ask. We're going to give you all this
14 business. You're going to have to give us a better
15 price on the T-leg. That's when you say okay, let me
16 look at it. You take the whole scope of the business
17 and say I can raise the price on this item and make up
18 for the price on the T-leg.

19 That's where Richard was speaking is that
20 when you get into that situation, it really just takes
21 the price and makes it an invalid comparison.

22 MR. BENEDETTO: All right. And, actually,
23 one final question. When did the freight costs start
24 to go up again? Someone made reference to that. Was
25 that this year, I believe? And those are pretty

1 significant. Exactly how significant?

2 MR. GLENN: Oh, it's huge.

3 MR. BOLTUCK: This is containerized cargo.
4 It's not shipped bulk like a bulk chemical and you
5 might be familiar with that kind of freight from many
6 other cases before the commission, but this is a
7 manufactured product, it's boxed up and it's put into
8 a container and shipped that way. And the containers
9 have a freight price per container and the freight
10 price has just gone up \$1000 a container and then that
11 works out to over half a dollar per ironing board.
12 And, you know, we're talking about an item that
13 retails for \$9.00, so you can do the math.

14 MR. PERRY: Yes. One of the interesting
15 things about this is the problem of freight costs is
16 starting to impact a lot of areas. We just had the
17 issue in the bags case, but the interesting point I'm
18 going to ask James to speak about is in comparison,
19 the freight costs for ironing boards is huge. It's
20 much bigger than it is on like a retail carrier bag.
21 The freight costs are significant here.

22 MR. GLENN: Yes. You have to consider you
23 can put 2200 T-leg ironing boards on a container and
24 the cost of the containers is over \$4000 today. So,
25 you know, you're talking round numbers \$2.00 apiece

1 freight, so it is significant. And all this was
2 predicated on the dock strike and the freight
3 companies were in steep competition for your business
4 prior to the dock strike and it's kind of like
5 gasoline, there's no more 50 cents a gallon gasoline,
6 but I even stood in line to pay for \$1.50 gasoline
7 lately. So, you know, it's supply and demand and they
8 used the dock strike to jack prices up. And that's
9 universal across the entire market, I mean, it's not
10 just ironing boards, freight costs on everything is
11 up.

12 MR. BENEDETTO: Thank you all very much.

13 MR. CARPENTER: Ms. Pedersen?

14 Ms. Spalding? No?

15 Ms. Noreen?

16 MS. NOREEN: Bonnie Noreen with the Office
17 of Investigations. I think I just have one question.

18 Mr. Glenn, Whitney Designs went out of the
19 manufacturing business when? For the ironing boards.

20 MR. GLENN: We made the decision in mid to
21 late 2001 and that's not a light switch decision, it
22 takes time to implement, and we actually closed our
23 facility in April of 2002.

24 MS. NOREEN: So mid to late 2001, is when
25 you --

1 MR. GLENN: Mid 2001 we were preparing to do
2 that.

3 MS. NOREEN: You were preparing to do it.
4 And prior to mid 2001, did you import ironing boards?

5 MR. GLENN: The same as the general comments
6 from everyone, we imported the high end.

7 MS. NOREEN: The high end?

8 MR. GLENN: And we produced the popular
9 priced ones, the T-leg and the 4-leg.

10 MS. NOREEN: Okay. Thank you very much.

11 MR. CARPENTER: First, a couple of
12 administrative points. We'll accept Respondent's
13 Chart 1 as Respondents' Exhibit 1 and that will be
14 included in the transcript.

15 (Respondents' Exhibit No. 1
16 was received.)

17 MR. CARPENTER: We were also given a
18 brochure on Whitney Designs products. I don't believe
19 that that was referred to, maybe it was and I missed
20 it, but I'm inclined not to accept that at this point,
21 but if you want to attach it to your brief and refer
22 to it there, you can do it that way.

23 MR. PERRY: That's what we'll do.

24 MR. CARPENTER: Okay. Thanks.

25 A couple of follow-up questions. I'll start

1 with the last issue that was raised about the increase
2 in freight costs in June of this year. What's the
3 point there? That's basically right at the end of the
4 period that we're looking at. Is this a threat
5 argument?

6 MR. BOLTUCK: Absolutely. I mean, the
7 question is what is the real evidence you have? The
8 petitioners are saying there is a real threat of
9 imminent injury in addition to their claims of present
10 injury and, you know, this is concrete the evidence.
11 The manufacturing costs are increasing, there have
12 been price increases from the foreign producers, and
13 the freight costs, which have always been formidable
14 increased by a third or a quarter or some such thing
15 and are a substantial share of the final wholesale,
16 certainly even the final retail price of this product.
17 So under those conditions, it's hard to say that the
18 trend is that the Chinese imports from China are
19 becoming increasingly competitive in the U.S. market,
20 so where's the threat?

21 MR. PERRY: I think the other point, Bob, is
22 to keep in mind as you examine the data because often
23 a rational importer is going to say I'd better bring
24 some in now before the freight increase hits, which is
25 on June 1st, so this had an effect on a lot of

1 importers across the board as to how they brought in
2 their product. And also in the West Coast dock
3 strike, stuff was stuck on container on the West Coast
4 and then all of a sudden you see a blip in January and
5 February as they try to bring the imports in because
6 there were so many distortions in the import trend.

7 MR. CARPENTER: I see. Thanks for that
8 clarification.

9 MR. WISLA: One more thing about the Chinese
10 prices. Also within the last year, there was a
11 similar 201 steel case in China as was in the United
12 States, so steel prices in China have increased also,
13 which the main raw material is steel. That will also
14 affect Chinese prices in the future.

15 MR. CARPENTER: I see. Thank you.

16 I would also like to follow upon the
17 bundling issue. I got the impression from listening
18 to the petitioner that bundling is not very important
19 in their sales but I know, Mr. Kellogg, you indicated
20 it was very important to you and I think some others.

21 I guess, Mr. Boltuck, this is mainly
22 directed toward you. I thought I heard you say that
23 this is causing problems for price comparisons. Is
24 your point that perhaps the importers are difficulty
25 in separating out their prices of ironing boards from

1 other products in the bundled sale?

2 MR. BOLTUCK: My point is that from an
3 economic perspective, I'm not referring to an internal
4 company accounting perspective, that companies can
5 have their own set of rules and their own procedure
6 and they can implement it honestly and consistently
7 over time to attribute revenue to ironing boards that
8 are sold in bundled transactions. However, from an
9 economic perspective, there's no reason on earth to
10 believe that every company is applying anywhere near
11 similar methodologies or methodologies that are going
12 to generate prices that can fairly be compared to each
13 other. And the reason is that from an economic
14 perspective what's priced is the package of products
15 and that's the only thing either the purchaser or the
16 seller is interested in, is the total cost of the
17 package of products.

18 This is a purchaser driven practice,
19 incidentally, in this market and has been for a long
20 time. The sellers are not requiring purchasers to buy
21 in bundled transactions, they sell probably most of
22 their boards not in bundled transactions, but a
23 substantial share is sold in bundled transactions.

24 So my point is given that the pricing really
25 pertains to a package of products, that when the

1 commission collects pricing data on products 1 and 2
2 and says, you know, what's the total revenue for your
3 sales of product 1, total volume is total volume, you
4 just count the units, there's no question about that,
5 but total revenue, that has revenue built in by the
6 idiosyncratic breakout rules that each company uses.
7 They may think their method makes sense to them
8 internally and it's as good as any other method or
9 better, I mean, there are all kinds of reasons they
10 might adopt such methods, but from an economic
11 standpoint, it's very dicey to assume that across
12 companies you can then make a comparison that's
13 meaningful for products that in fact were not sold as
14 individual products.

15 MR. CARPENTER: If you have any suggestions
16 in your brief as to how we might account for those
17 inconsistencies in reporting, if you want to elaborate
18 on that, we would appreciate it.

19 MR. PERRY: I think, Bob, the most important
20 thing is for the commission to know which have been
21 bundled and which have not been because it's
22 fundamental if they bundled the T-leg ironing boards,
23 sometimes they'll reduce the price and reduce the
24 profit, but then they'll up the profit on a laundry
25 bag over here, so it's hard for you to know. So the

1 most important thing is to know which prices have been
2 bundled and which have not been bundled.

3 MR. CARPENTER: Okay. If you have
4 information along those lines for the companies that
5 you represent, we would appreciate that.

6 MR. MCGRATH: Could I just add one point
7 that?

8 MR. CARPENTER: Sure.

9 MR. MCGRATH: From Target's perspective,
10 I think maybe it's been made clear, but I just want to
11 reiterate it. Target does not purchase bundled
12 product in this category and the key element here that
13 we're concerned with, I think all of us from the
14 respondents' side, is the element of price
15 comparability. It's not so much that bundling
16 represent a method of selling which is going to push
17 more ironing boards or push more hampers or some other
18 element in that mix. I think we're more concerned
19 about the ability to compare the prices and is it
20 meaningful.

21 So I would agree with Bill that somehow
22 being able to identify in those price questions are
23 these bundled prices or not. You're not going to see
24 bundled prices in the Target questionnaire, but you
25 may for others and once you start averaging all of

1 them together, it's not going to necessarily produce a
2 correct comparable price that can be just compared to
3 the domestic side.

4 MR. CARPENTER: Okay. Thank you.

5 Ms. Brumm, a couple of questions for you.

6 First of all, I want to thank you for your
7 comment about the terminology between ironing boards
8 and ironing tables. I thought maybe I was the only
9 one that used the term ironing boards.

10 MS. BRUMM: Me, too.

11 MR. CARPENTER: I'll have to admit that
12 going into this case I didn't realize that ironing
13 boards had so many different features and so on and
14 I appreciated Mr. Boltuck's comment that it's really
15 people like you who are the experts on this product
16 and your job is to provide your customers with the
17 greatest value in terms of features and so on for the
18 money, but I guess my question is how much aware are
19 the consumers of these different features of the
20 products that they're buying? What's the typical
21 profile of the customer who comes in to buy an ironing
22 board?

23 I mean, I think if it were me, I'd probably
24 go to a place like a mass merchandiser or whatever
25 wand just look at a couple of products and probably

1 pick out the one with the lowest price. What is the
2 profile? Are the people aware of these different
3 features?

4 MS. BRUMM: Well, certainly as I mentioned
5 when I spoke earlier, I think that the Target customer
6 particularly is more sophisticated than most mass
7 retailers' customer base. I do take very seriously my
8 role in selecting products that when you get home
9 perform for you, although you may not know why, you
10 may not know why your ironing is faster on the board
11 you purchased from Target than from another retailer,
12 but you're happy about your purchase and satisfied
13 with it.

14 I think as James mentioned earlier, there
15 are things that are more noticeable when you're making
16 your decision to buy in store, such as whether or not
17 your board has a cover on it or has a visible iron
18 rest or a gadget to keep your cord from getting
19 tangled and you may decide that you want to spend a
20 few more dollars to get those added features. But
21 then on top of that, there are also the features which
22 I mentioned which are performance features which are
23 just as important but you may not be making a
24 conscious decision about when you're making your
25 purchasing decision.

1 MR. PERRY: Bob, could I add one thing?

2 MR. CARPENTER: Sure.

3 MR. PERRY: I think we kind of missed it,
4 but I want to emphasize again, we've seen a real
5 interesting trend and the interesting trend goes --
6 over there where there are three basically ironing
7 boards, one from Polder, and one is chrome and that's
8 really the upscale. And all of a sudden there's a
9 movement in the retailers to move upward, to upscale
10 the ironing boards, and it's much more noticeable than
11 it has been in the past.

12 James, can you say anything?

13 MR. GLENN: It's true. I mean, my example
14 that I did in my statement, the leader in mass
15 merchants today is obviously the Wal-Mart volume and
16 they have just implemented in their current planigram
17 a chrome ironing board. Never have they offered a
18 chrome ironing board in the history of that company.
19 We've sold them since they opened. So it is a
20 changing environment, there's no question of that.

21 MR. CARPENTER: Now, would Wal-Mart offer a
22 steel ironing board alongside a chrome ironing board?
23 A regular ironing board?

24 MR. GLENN: They offer today a T-leg, they
25 offer a 4-leg, they offer a wide top that's been

1 described, and they offer a chrome. They offer four
2 different price points of ironing boards.

3 MR. CARPENTER: I apologize, but I haven't
4 been in the market for one for a long time, but do
5 these tend to come in boxes where they have these
6 different features listed on the box?

7 MR. GLENN: No. Ironing boards are almost
8 unanimously across the market shipped in a case of
9 either four or two, depending upon the weight, the
10 upper end boards are more likely to be shipped in a
11 two-pack, and then when they get to the retail shelf,
12 they're put in a shrink wrap package with a label.

13 MR. CARPENTER: Does the label have any
14 description of the features on it?

15 MR. GLENN: Oh, sure. Absolutely.

16 MR. CARPENTER: Okay. So the customer can
17 actually look at different ironing boards side by side
18 and see which --

19 MR. GLENN: If you can stretch your
20 imagination that they read it. No, obviously, they
21 do. It's just -- it just depends, again, on the
22 consumer you're dealing with.

23 MS. BRUMM: And the point that James made
24 earlier, typically retailers don't offer two different
25 types of a T-leg ironing board, for example, so you

1 won't find most often a mesh top T-leg sitting next to
2 a perf T-leg both for sale. More often than not, we
3 as buyers make a stand and take one point of view and
4 present one offering at each segment.

5 MR. PERRY: Polder, because he sells the
6 upscale ironing boards. Calvin?

7 MR. SCOTT: I think as you find the entry
8 price point part of the market becoming saturated, the
9 struggle is, well, how do we keep the ironing board
10 business going? You do that by offering the consumer
11 a trade-up or a step-up, or a reason to stop ironing
12 on that lower end -- that wobbly ironing board and
13 give them a reason to go up to a better product and
14 you push the sales through by offering better product,
15 more features and higher quality at a price point
16 that's still acceptable, but that's where the
17 retailers and people like myself are driving the
18 business today, not at the low entry level price
19 point, not for me, anyway, but in better quality
20 goods.

21 MR. MCGRATH: If I could also remind the
22 staff to take a look again at the exhibits to the
23 petition, the petitioners' own promotional material
24 does talk about features and Target is concerned even
25 more about features than lots of other marketers, but

1 there is a reference there to the experience of
2 trading up from the perforated top to the mesh top and
3 what that percentage has been because they see it as a
4 positive move in generating more sales in the
5 marketplace, so this is the kind of thing that Lisa
6 and others who purchase the product and then promote
7 the product and sell it to their customer base are
8 going to be looking at these elements. Maybe a
9 certain customer, maybe you and I, Mr. Carpenter,
10 won't be paying enough attention because we're not
11 educated enough. I know I'm educated enough now to
12 pay attention, but that's, I think, the key to the
13 success of an organization like Target, they're more
14 sophisticated in how it is presented and how they
15 educate customers and appeal to their guests to
16 purchase the product.

17 MR. CARPENTER: With respect to the mesh top
18 versus the perforated top, my understanding is that
19 this panel was saying that the petitioners
20 predominately sell the perforated top, whereas the
21 Chinese product is virtually all mesh? Is that
22 correct?

23 MR. GLENN: The partner produces both. They
24 have an automated -- I'm relatively familiar with it,
25 since I worked there. They have a very automated perf

1 top manufacturing facility that produces perf tops,
2 probably, and again, my data is ten years old, but
3 their perf top is probably less expensive to produce
4 than their mesh top and that's only a guess, based on
5 old knowledge. But they produce both in their
6 facility. Or did.

7 MR. CARPENTER: Thank you.

8 Where I was going with this, I think,
9 Mr. McGrath, you said that you tend to promote the
10 advantages of the mesh top versus the perforated.
11 What level is that done at, though?

12 MS. BRUMM, do you educate your buyers as to
13 the advantages of the mesh top or is this done at an
14 earlier stage?

15 MS. BRUMM: We do call out on packaging to
16 the guest in the store the quality that the mesh
17 provides to them in their ironing experience. The
18 point that I made in my statement earlier came from
19 where I'm getting recommendations and how I look to my
20 vendors to be the leader in providing information to
21 me, helping me to educate my guests, and make the
22 right decisions as far as my assortment in store and a
23 Chinese factory is, in this example, the people who
24 made the recommendation to me to make this move, which
25 was a good decision. The ironing board business is

1 very strong right now and I do call out that superior
2 offering on my packaging.

3 MR. CARPENTER: Thank you, once again, very
4 much for your helpful testimony and your responses to
5 our questions. We'll take a ten-minute recess, at
6 which point we will begin with the ten-minute closing
7 statements from each side, beginning with the
8 petitioners.

9 Thank you.

10 (Whereupon, a recess was taken from 12:34
11 p.m. until 12:45 p.m.)

12 MR. CARPENTER: Welcome, Dr. Bradley.

13 MR. BRADLEY: Thank you very much. I'm
14 sorry for my delay.

15 I really would just like to make one point
16 in this rebuttal and that is to remind the commission
17 and the staff that the focus of our petition and our
18 presentation today was not at all on Whitney Designss.
19 We did not allege in our petition that the entire
20 source of injury is Whitney Designss and, in fact,
21 today in our presentations, we didn't even talk about
22 that issue. It's not a major part of our theory of
23 the case and it's not an essential part of our injury
24 argument. If you recall, what we talked about this
25 morning was a series of events that took place in late

1 2001, 2002 after Whitney had in fact exited U.S.
2 production and into 2003, which were specific
3 instances of lost sales and lost revenue due to
4 Chinese imports.

5 The injury that Home Products has suffered,
6 much of it has occurred after Whitney Designss' exit
7 from U.S. production and Whitney Designss figures as
8 an importer but not as a U.S. producer.

9 In our post-conference brief we will indeed
10 address the issues that respondents raised about why
11 they left the business and what HPI's pricing behavior
12 was prior to that period, but I'd like to emphasize
13 that that really is not the theory of the case. The
14 theory of the case rests upon continuing increases in
15 Chinese imports in the major product line, T-leg,
16 4-leg, at low prices.

17 As our original submissions and our
18 subsequent submissions will show, that has caused
19 injury to the domestic industry and figures to
20 continue to do so into the future.

21 That's it. Thank you very much.

22 MR. CARPENTER: Thank you, Dr. Bradley.

23 Mr. Perry, Mr. Boltuck?

24 MR. PERRY: William Perry of Garvey Schubert
25 Barer. I'm going to speak briefly, then Richard

1 Boltuck and then Matt McGrath.

2 Just a couple of quick points from my point.
3 I believe firmly that when you look at the
4 questionnaires in this case you're going to find that
5 the domestic industry before and after the arrival of
6 the Chinese imports is a very profitable situation.
7 This isn't a situation, I believe firmly, where we
8 have a company on its back with its paws in the air.
9 This company is doing, I believe, not from what I've
10 seen but I believe firmly that it will be doing very
11 well.

12 The other thing is that this is not a simple
13 case. The real issue here is that the economist,
14 Mr. Bradley, said before the Chinese came into the
15 market, prices were stable. Prices were not stable.
16 This wasn't a simple imports, low prices equals injury
17 to the U.S. industry. That's not what happened here.

18 What we have is a sharp decline in prices by
19 HPI before the arrival of the imports from China
20 driving Whitney Designs out of the U.S. market.
21 Whether it's predatory or not, it was that sharp
22 decline in prices that came from HPI and it happened
23 long before the imports showed up.

24 Now I would ask Richard to speak.

25 MR. BOLTUCK: Thank you. Actually, I would

1 like to respond to Professor Bradley's point in
2 rebuttal and also what we saw in the general
3 presentation this morning.

4 Professor Bradley makes the point,
5 reasonable enough, that they didn't talk extensively
6 about the closure of Whitney Designs in their morning
7 presentation. Of course, they do discuss it in the
8 petition. But my point is that regardless of how they
9 choose to spin this, whether it's front and center as
10 a direct claim of injury or whether it's simply the
11 man behind the curtain, it's an unavoidable fact in
12 their case. And yet when Professor Bradley presented
13 his slide this morning and said there were no events
14 in 2002 other than import increases, he didn't even
15 mention the closure of one of the U.S. producers that
16 coincided with the increase in imports.

17 Well, maybe they the light bulb did go off
18 over the petitioners and they realized they really
19 can't sustain a claim of causation with respect to the
20 closure of Whitney Designs, but now they don't want to
21 tell you that when Whitney Designs closed there was
22 room in the U.S. market. Naturally, with the removal
23 of that volume of sales, there was room for
24 non-injurious imports from China. And yet none of
25 their discussion this morning even addressed that

1 issue.

2 I also want to mention one other factor,
3 also responding to Professor Bradley. The reason that
4 he has postulated an implementation lag is that
5 there's no way with the data in front of you now you
6 could see any evidence of injury caused by imports or
7 other sources. And that's why he has to say take it
8 on faith, you're going to see it in the future.

9 The problem with this supposition is that
10 you should see it in 2002 with respect to a lag that
11 must have started the prior year because under their
12 theory there were substantial volumes of imports from
13 China in the market actually here in the United States
14 being sold at whatever the current prices were in
15 direct competition with them, with their production,
16 in 2002. A huge proportional increase over 2001, you
17 saw their table, that's what they believe happened.
18 That resulted from negotiations that must have taken
19 place in 2001, given their description of the process.

20 Well, where was the implementation lag
21 there?

22 So I think that -- I appreciate the way in
23 which the presentation of Professor Bradley's story
24 appears, a nice, simple little flow chart, but try to
25 relate that to the record evidence that you actually

1 have in front of you and, of course, there's one U.S.
2 producer and we can't get into any details at all
3 today, but we definitely will do so in our written
4 submission.

5 MR. MCGRATH: Once again, I'm Matt McGrath
6 and I have a few closing comments I'd like to offer as
7 well.

8 I agree with what Richard and Bill have said
9 here and also want to just in highlighting the
10 discussion or the most salient facts as to what was
11 happening in the marketplace before 2000, I think
12 Mr. Graves had testified this morning that the
13 marketplace then was characterized by the presence of
14 nothing unusual but healthy price competition, I think
15 witnesses from Whitney have indicated just what
16 healthy price competition was in the context of
17 driving them out of business.

18 I would also agree that it is -- I would
19 definitely caution the staff to avoid the temptation,
20 I think, to, as many cases are presented against
21 Chinese imports, to simply look at the simple
22 postulation that the presence of imports in quantity
23 combined with the shift in market shares at the same
24 time equals injury. Where that supposition is broken
25 and where the causal chain is taken apart is the

1 actual financial health of the industry.

2 As Mr. Boltuck has indicated, you need to
3 take a very close look at that. This is an unusual
4 case for that reason alone, that an industry is here
5 under these conditions asking for dumping relief.

6 And then, finally, to reiterate once more
7 that the Target experience with reverse auctions is
8 one that they have found useful for purposes of
9 evaluating a number of different factors of bringing
10 into play all the qualification criteria, including
11 price, but also the ability of a supplier to be able
12 to provide the product in the volume it's needed to
13 meet the innovation demands, to meet the delivery
14 schedules, to meet all of the other factors that are
15 going to be important.

16 Unfortunately, the use of the term auction
17 connotes something like e-Bay where you just sort of
18 have a number of bidders showing up and tossing their
19 hat in the ring and that's not how it works at all.
20 It really is, as they look at it, not really as an
21 auction but electronic sourcing. It's the use of
22 another tool. They still conduct line reviews, they
23 still conduct other methods of doing business and in
24 many instances for the products that they have sourced
25 in this fashion, they haven't chosen the cheapest

1 price product that's been offered.

2 So I think when you look at all of these
3 factors and indications, we will certainly provide a
4 lot more discussion of the condition of the industry
5 in the post-conference brief, but this case presents
6 an opportunity, really, to stop the effort right now
7 and I think to take a closer look at what's going on
8 here, it's not just the presence of Chinese product in
9 the marketplace. In this particular marketplace,
10 there are many factors which indicate there is no
11 reasonable indication of injury.

12 Thank you.

13 MR. CARPENTER: Thank you, gentlemen, for
14 those remarks. A few concluding remarks.

15 The deadline for both the submission of
16 corrections to the transcript and for briefs in the
17 investigation is Thursday, July 24th. If briefs
18 contain business proprietary information, a public
19 version is due on July 25th.

20 The commission has scheduled its vote on the
21 investigation for August 13th at 11:00 a.m. It will
22 report its determination to the Secretary of Commerce
23 on August 14th. The commissioners' opinions will be
24 transmitted to Commerce a week later on August 21st.

25 Thank you for coming.

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1 This conference is adjourned.

2 (Whereupon, at 12:58 p.m., the proceedings

3 in the above-captioned matter were concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Ironing Tables and Certain Parts
INVESTIGATION NO.: 731-TA-1047
HEARING DATE: July 21, 2003
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: July 21, 2003

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
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I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Gabriel Rosenstein
Signature of Court Reporter